

## **Financial Statements**

### **Randon S.A. Implementos e Participações**

December 31, 2010 and 2009  
Individual Financial Statements (Company)  
prepared in accordance with accounting  
practices adopted in Brazil and Consolidated  
Financial Statements prepared in accordance  
with International Financial Reporting Standards  
(IFRS)

# **Randon S.A. Implementos e Participações**

## Financial statements

December 31, 2010 and 2009

### Contents

|                                                           |    |
|-----------------------------------------------------------|----|
| Independent auditor's report on financial statements..... | 1  |
| Audited financial statements                              |    |
| Balance sheets .....                                      | 4  |
| Statements of income.....                                 | 6  |
| Statements of comprehensive income.....                   | 7  |
| Statements of changes in equity .....                     | 8  |
| Statements of cash flows .....                            | 9  |
| Statements of value added.....                            | 10 |
| Notes to financial statements .....                       | 11 |

**A free translation from Portuguese into English of Independent Auditor's Report on individual financial statements in accordance with accounting practices adopted in Brazil and consolidated financial statements in accordance with International Financial Reporting Standards**

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**Independent auditor's report on financial statements**

The Shareholders, Board of Directors and Officers  
**Randon S.A. Implementos e Participações**  
Caxias do Sul - RS

We have audited the accompanying individual and consolidated financial statements of Randon S.A. Implementos e Participações (Company), identified as Company and Consolidated, respectively, which comprise the balance sheet as at December 31, 2010, and the related income statement, comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting practices and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the accounting practices adopted in Brazil and of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board – IASB, and in conformity with the accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and, plan and perform the audit to obtain reasonable assurance about whether these financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Company's financial statements in

order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion on the individual financial statements**

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of Randon S.A. Implementos e Participações at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with the accounting practices adopted in Brazil.

### **Opinion on the consolidated financial statements**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Randon S.A. Implementos e Participações at December 31, 2010, and its consolidated financial performance and consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

### **Emphasis matters**

As mentioned in Note 2, the individual financial statements were prepared in accordance with accounting practices adopted in Brazil. In the case of Randon S.A. Implementos e Participações these practices differ from the IFRS applicable to the separate financial statements, solely with respect to the measurement of investments in subsidiaries under the equity method, while such investments would be measured at cost or fair value for IFRS purposes.

## **Other matters**

### **Statements of value added**

We have also audited the individual and consolidated statements of value added, for the year ended December 31, 2010, the presentation of which is required by Brazilian corporation law for publicly held companies, and as supplementary information under the IFRS, whereby no statement of value added presentation is required. These statements have been subject to the same auditing procedures previously described and, in our opinion, are presented fairly in all material respects, in relation to the overall financial statements.

### **Audit of prior year amounts**

The amounts corresponding to the year ended December 31, 2009, presented for comparative purposes, were examined by us in accordance with auditing standards in force on issuance of the Independent Auditor's Report on January 29, 2010; these did not contain any modification. The auditing standards previously in force allowed for division of responsibility, therefore, our opinion for the year then ended contained an emphasis paragraph stating that the financial statements of the direct subsidiaries Master Sistemas Automotivos Ltda e Suspensys Sistemas Automotivos Ltda., were examined by other independent auditors and our opinion regarding these investment amounts, which on that date totaled R\$ 133,108 thousand and the positive equity pickup result in these subsidiaries amounting to R\$ 52,323 thousand, were exclusively based on the reports of those other independent auditors, issued with no qualification were exclusively based on the reports of other independent auditors.

Porto Alegre, February 28, 2011.

ERNST & YOUNG TERCO  
Auditores Independentes S.S.  
CRC-2SP015199/O-6/F/RS

Américo F. Ferreira Neto  
Accountant CRC-1SP192685/O-9/S/RS

A free translation from Portuguese into English of individual financial statements in accordance with accounting practices adopted in Brazil and consolidated financial statements in accordance with International Financing Reporting Standards

## Randon S.A. Implementos e Participações

Balance sheets

December 31, 2010 and 2009 and January 1, 2009

(In thousands of reais)

|                                  | Note | Company          |                                   |                  | Consolidated                      |                  |                                   |
|----------------------------------|------|------------------|-----------------------------------|------------------|-----------------------------------|------------------|-----------------------------------|
|                                  |      | BRGAAP           |                                   |                  | IFRS                              |                  |                                   |
|                                  |      | 12/31/2010       | 12/31/2009<br>(restated – note 4) | 12/31/2010       | 12/31/2009<br>(restated – note 4) | 12/31/2010       | 12/31/2009<br>(restated – note 4) |
| <b>Assets</b>                    |      |                  |                                   |                  |                                   |                  |                                   |
| <b>Current assets</b>            |      |                  |                                   |                  |                                   |                  |                                   |
| Cash and cash equivalents        | 6    | 455,003          | 169,006                           | 129,092          | 1,049,483                         | 616,659          | 316,372                           |
| Short-term investments           | 7    | 205,834          | 68,513                            | -                | 224,023                           | 68,513           | 32,222                            |
| Derivative financial instruments |      | -                | -                                 | -                | 414                               | -                | 320                               |
| Trade accounts receivable        | 8    | 316,084          | 232,389                           | 242,479          | 528,716                           | 418,509          | 420,675                           |
| Inventories                      | 9    | 131,832          | 136,781                           | 106,562          | 380,689                           | 327,028          | 376,237                           |
| Taxes recoverable                | 10   | 29,950           | 59,032                            | 31,595           | 94,444                            | 112,767          | 80,622                            |
| Prepaid expenses                 |      | 1,481            | 2,078                             | 1,294            | 2,546                             | 3,086            | 2,699                             |
| Receivables from consortium      | 22   | -                | -                                 | -                | 50,057                            | 39,280           | 30,574                            |
| Other current assets             |      | 41,387           | 21,618                            | 30,272           | 11,864                            | 12,030           | 13,758                            |
|                                  |      | <b>1,181,571</b> | <b>689,417</b>                    | <b>541,294</b>   | <b>2,342,236</b>                  | <b>1,597,872</b> | <b>1,273,479</b>                  |
| <b>Non-current assets</b>        |      |                  |                                   |                  |                                   |                  |                                   |
| <b>Long-term receivables</b>     |      |                  |                                   |                  |                                   |                  |                                   |
| Related parties                  | 11   | 20               | 15                                | 3,961            | -                                 | -                | -                                 |
| Consortium quotas                |      | 10,105           | 12,529                            | 12,424           | 21,739                            | 24,656           | 25,812                            |
| Deferred taxes                   | 21   | 26,842           | 20,843                            | 20,128           | 70,044                            | 49,510           | 51,617                            |
| Taxes recoverable                | 10   | 10,478           | 12,652                            | 23,371           | 19,211                            | 26,532           | 50,730                            |
| Judicial deposits                | 16   | 1,439            | 1,601                             | 1,357            | 9,659                             | 9,661            | 10,411                            |
| Biologic assets                  |      | 6,572            | 5,625                             | 5,761            | 6,572                             | 5,625            | 5,761                             |
| Other non-current assets         |      | 3,122            | 1,698                             | 88               | 23,319                            | 21,073           | 18,014                            |
|                                  |      | <b>58,578</b>    | <b>54,963</b>                     | <b>67,090</b>    | <b>150,544</b>                    | <b>137,057</b>   | <b>162,345</b>                    |
| <b>Investments</b>               |      |                  |                                   |                  |                                   |                  |                                   |
| Property, plant and equipment    | 13   | 663,713          | 521,128                           | 484,553          | 59,757                            | 44,557           | 39,053                            |
| Intangible assets                | 14   | 439,323          | 397,710                           | 384,555          | 1,093,649                         | 1,031,632        | 999,270                           |
|                                  | 15   | 26,271           | 13,085                            | 4,727            | 65,059                            | 31,297           | 12,773                            |
|                                  |      | <b>1,129,307</b> | <b>931,923</b>                    | <b>873,835</b>   | <b>1,218,465</b>                  | <b>1,107,486</b> | <b>1,051,096</b>                  |
| <b>Total assets</b>              |      | <b>2,369,456</b> | <b>1,676,303</b>                  | <b>1,482,219</b> | <b>3,711,245</b>                  | <b>2,842,415</b> | <b>2,486,920</b>                  |

|                                                       | Company |                  |                                      |            | Consolidated                         |                                      |
|-------------------------------------------------------|---------|------------------|--------------------------------------|------------|--------------------------------------|--------------------------------------|
|                                                       | BRGAAP  |                  |                                      |            | IFRS                                 |                                      |
|                                                       | Note    | 12/31/2010       | 12/31/2009<br>(restated –<br>note 4) | 12/31/2010 | 12/31/2009<br>(restated –<br>note 4) | 12/31/2009<br>(restated –<br>note 4) |
| <b>Liabilities</b>                                    |         |                  |                                      |            |                                      |                                      |
| <b>Current liabilities</b>                            |         |                  |                                      |            |                                      |                                      |
| Trade accounts payable                                |         | <b>79,247</b>    | 70,452                               | 16,499     | <b>143,317</b>                       | 146,134                              |
| Loans and financing                                   | 17      | <b>227,063</b>   | 34,173                               | 107,826    | <b>386,823</b>                       | 166,699                              |
| Derivative financial instruments                      |         | -                | -                                    | 5,811      | <b>1,528</b>                         | 43                                   |
| Advances from customers                               |         | <b>63,766</b>    | 29,201                               | 34,998     | <b>70,527</b>                        | 34,377                               |
| Trade accounts receivable - for goods to be delivered |         | <b>6,861</b>     | 12,679                               | 16,789     | <b>12,894</b>                        | 19,167                               |
| Taxes and contributions                               |         | <b>23,540</b>    | 7,174                                | 10,582     | <b>44,971</b>                        | 23,144                               |
| Salaries and charges                                  |         | <b>16,827</b>    | 15,245                               | 9,108      | <b>57,901</b>                        | 44,319                               |
| Dividends payable                                     |         | <b>26,104</b>    | 12,158                               | 34,359     | <b>38,231</b>                        | 15,765                               |
| Interest on equity capital                            |         | <b>23,874</b>    | 14,578                               | 17,600     | <b>39,467</b>                        | 22,359                               |
| Employee and Directors' profit sharing                |         | <b>24,423</b>    | 11,535                               | 15,723     | <b>48,046</b>                        | 29,151                               |
| Income and social contribution taxes                  |         | <b>2</b>         | -                                    | -          | <b>2,446</b>                         | 1,844                                |
| Liabilities for consortium funds                      | 22      | -                | -                                    | -          | <b>50,057</b>                        | 39,280                               |
| Commission                                            |         | <b>7,690</b>     | 8,038                                | 6,589      | <b>11,578</b>                        | 12,275                               |
| Related parties                                       | 11      | <b>4,965</b>     | 3,818                                | 3,353      | <b>7,131</b>                         | 5,498                                |
| Other current liabilities                             |         | <b>20,344</b>    | 14,060                               | 17,868     | <b>36,233</b>                        | 30,541                               |
|                                                       |         | <b>524,706</b>   | 233,111                              | 297,105    | <b>951,150</b>                       | 590,596                              |
| <b>Non-current liabilities</b>                        |         |                  |                                      |            |                                      |                                      |
| Loans and financing                                   | 17      | <b>548,624</b>   | 337,517                              | 192,658    | <b>956,499</b>                       | 703,266                              |
| Taxes and contributions                               |         | <b>4,517</b>     | 2,492                                | 751        | <b>11,111</b>                        | 7,124                                |
| Related parties                                       | 11      | <b>67,599</b>    | 51,834                               | 33,405     | <b>59,415</b>                        | 56,599                               |
| Deferred taxes                                        | 21      | <b>41,557</b>    | 40,348                               | 39,268     | <b>96,937</b>                        | 97,978                               |
| Provision for disputes                                | 16      | <b>6,600</b>     | 6,101                                | 7,740      | <b>14,253</b>                        | 12,748                               |
| Other non-current liabilities                         |         | <b>3,808</b>     | 3,207                                | 4,208      | <b>4,138</b>                         | 1,751                                |
|                                                       |         | <b>672,705</b>   | 441,499                              | 278,030    | <b>1,142,353</b>                     | 879,466                              |
| <b>Total liabilities</b>                              |         | <b>1,197,411</b> | 674,610                              | 575,135    | <b>2,093,503</b>                     | 1,470,062                            |
| <b>Net equity</b>                                     |         |                  |                                      |            |                                      |                                      |
| Capital                                               | 18      | <b>730,000</b>   | 406,000                              | 400,000    | <b>730,000</b>                       | 406,000                              |
| Capital reserve                                       |         | <b>55</b>        | 55                                   | -          | <b>55</b>                            | 55                                   |
| Income reserve                                        |         | <b>316,294</b>   | 463,573                              | 367,733    | <b>316,294</b>                       | 463,573                              |
| Other comprehensive income                            |         | <b>125,696</b>   | 132,065                              | 139,351    | <b>125,696</b>                       | 132,065                              |
| Total equity holding of controlling shareholders      |         | <b>1,172,045</b> | 1,001,693                            | 907,084    | <b>1,172,045</b>                     | 1,001,693                            |
| Minority interest                                     |         | -                | -                                    | -          | <b>445,697</b>                       | 370,660                              |
|                                                       |         | -                | -                                    | -          | <b>445,697</b>                       | 370,660                              |
| <b>Total net equity</b>                               |         | <b>1,172,045</b> | 1,001,693                            | 907,084    | <b>1,617,742</b>                     | 1,372,353                            |
| <b>Total liabilities and net equity</b>               |         | <b>2,369,456</b> | 1,676,303                            | 1,482,219  | <b>3,711,245</b>                     | 2,842,415                            |

See accompanying notes.

## Randon S.A. Implementos e Participações

Statements of income  
Years ended December 31, 2010 and 2009  
(In thousands of reais)

|                                                                   | Note | Company            |                                      | Consolidated       |                                      |
|-------------------------------------------------------------------|------|--------------------|--------------------------------------|--------------------|--------------------------------------|
|                                                                   |      | BRGAAP             |                                      | IFRS               |                                      |
|                                                                   |      | 12/31/2010         | 12/31/2009<br>(restated –<br>note 4) | 12/31/2010         | 12/31/2009<br>(restated –<br>note 4) |
| Net operating revenue                                             | 23   | <b>1,619,302</b>   | 996,725                              | <b>3,718,972</b>   | 2,469,544                            |
| Cost of goods sold and services rendered                          |      | <b>(1,288,486)</b> | (819,746)                            | <b>(2,812,368)</b> | (1,907,851)                          |
| Gross profit                                                      |      | <b>330,816</b>     | 176,979                              | <b>906,604</b>     | 561,693                              |
| Operating income (expenses)                                       |      |                    |                                      |                    |                                      |
| Selling                                                           |      | <b>(113,335)</b>   | (79,484)                             | <b>(271,507)</b>   | (205,562)                            |
| General and administrative                                        |      | <b>(50,166)</b>    | (41,585)                             | <b>(127,754)</b>   | (113,188)                            |
| Management fees                                                   |      | <b>(4,783)</b>     | (4,284)                              | <b>(10,595)</b>    | (9,151)                              |
| Equity pickup                                                     | 13   | <b>144,881</b>     | 91,079                               | -                  | -                                    |
| Other operating income (expenses) net                             |      | <b>(24,878)</b>    | (4,591)                              | <b>(37,464)</b>    | (6,789)                              |
| Income before financial income (expenses)                         |      | <b>282,535</b>     | 138,114                              | <b>459,284</b>     | 227,003                              |
| Financial expenses                                                | 27   | <b>(75,037)</b>    | (69,211)                             | <b>(152,717)</b>   | (144,343)                            |
| Financial income                                                  | 27   | <b>76,972</b>      | 80,471                               | <b>166,484</b>     | 184,118                              |
| Income before income and social contribution taxes                |      | <b>284,470</b>     | 149,374                              | <b>473,051</b>     | 266,778                              |
| Income and social contribution taxes                              | 21   | <b>(30,695)</b>    | (10,215)                             | <b>(112,629)</b>   | (57,302)                             |
| Directors' profit sharing                                         |      | <b>(4,282)</b>     | (4,001)                              | <b>(9,056)</b>     | (7,970)                              |
| Income before minority interest                                   |      | <b>249,493</b>     | 135,158                              | <b>351,366</b>     | 201,506                              |
| Minority interest                                                 |      | -                  | -                                    | <b>(101,873)</b>   | (66,348)                             |
| Net income for the year                                           |      | <b>249,493</b>     | 135,158                              | <b>249,493</b>     | 135,158                              |
| Earnings per share (basic and diluted)                            |      |                    |                                      |                    |                                      |
| Attributable to controlling shareholders holding common shares    |      | 1,04               | 0,84                                 | 1,04               | 0,84                                 |
| Attributable to controlling shareholders holding preferred shares |      | 1,04               | 0,84                                 | 1,04               | 0,84                                 |

See accompanying notes.



## Randon S.A. Implementos e Participações

Statements of comprehensive income  
Year ended December 31, 2010 and 2009  
(In thousands of reais)

|                                                 | <b>Company</b> |             | <b>Consolidated</b> |             |
|-------------------------------------------------|----------------|-------------|---------------------|-------------|
|                                                 | <b>BRGAAP</b>  |             | <b>IFRS</b>         |             |
|                                                 | <b>2010</b>    | <b>2009</b> | <b>2010</b>         | <b>2009</b> |
| Net income for the year                         | <b>249,493</b> | 135,158     | <b>249,493</b>      | 135,158     |
| Other statements of comprehensive income:       |                |             |                     |             |
| Accumulated translation adjustments             | <b>(614)</b>   | (3,709)     | <b>(614)</b>        | (3,709)     |
| Actuarial gain (loss) – RANDONPREV              | <b>46</b>      | 2,052       | <b>46</b>           | 2,052       |
| Other comprehensive income of subsidiaries      | <b>24</b>      | 589         | <b>24</b>           | 589         |
| Income and social contribution taxes            | <b>(24)</b>    | (898)       | <b>(24)</b>         | (898)       |
| Comprehensive income for the year, net of taxes | <b>248,925</b> | 133,192     | <b>248,925</b>      | 133,192     |

See accompanying notes.

## Randon S.A. Implementos e Participações

Statements of changes in net equity  
Years ended December 31, 2010 and 2009  
(In thousands of reais)

|                                                                  | Capital | Capital reserve | Revaluation reserve | Income reserves |                                        |                | Other comprehensive income (Note 18) | Retained earnings: | Total     | Total minority interest | Total     |
|------------------------------------------------------------------|---------|-----------------|---------------------|-----------------|----------------------------------------|----------------|--------------------------------------|--------------------|-----------|-------------------------|-----------|
|                                                                  |         |                 |                     | Legal reserve   | Investment and working capital reserve | Treasury stock |                                      |                    |           |                         |           |
| Balances at January 1, 2009 previously reported                  | 400,000 | -               | 8,047               | 47,564          | 358,091                                | (27,626)       | 2,839                                | -                  | 788,915   | 291,619                 | 1,080,534 |
| Adjustment for the adoption of CPCs and IFRS (Note 4)            | -       | -               | (8,047)             | -               | (10,296)                               | -              | 136,512                              | -                  | 118,169   | 51,092                  | 169,261   |
| Restated balances at January 1, 2009                             | 400,000 | -               | -                   | 47,564          | 347,795                                | (27,626)       | 139,351                              | -                  | 907,084   | 342,711                 | 1,249,795 |
| Net income for the year previously reported                      | -       | -               | -                   | -               | -                                      | -              | -                                    | 138,126            | 138,126   | 69,626                  | 207,752   |
| Adjustment for the adoption of CPCs and IFRS (Note 4)            | -       | -               | -                   | -               | -                                      | -              | -                                    | (2,968)            | (2,968)   | (3,278)                 | (6,246)   |
| Restated net income for the year                                 | -       | -               | -                   | -               | -                                      | -              | -                                    | 135,158            | 135,158   | 66,348                  | 201,506   |
| Capital subscription with income reserves (Note 18)              | 6,000   | -               | -                   | -               | (6,000)                                | -              | -                                    | -                  | -         | -                       | -         |
| Accumulated translation adjustments                              | -       | -               | -                   | -               | -                                      | -              | (3,709)                              | -                  | (3,709)   | -                       | (3,709)   |
| Actuarial valuation                                              | -       | -               | -                   | -               | -                                      | -              | 1,354                                | -                  | 1,354     | -                       | 1,354     |
| Realization of depreciation of deemed value                      | -       | -               | -                   | -               | -                                      | -              | (1,758)                              | 1,758              | -         | -                       | -         |
| Realization of biologic assets                                   | -       | -               | -                   | -               | -                                      | -              | (90)                                 | 90                 | -         | -                       | -         |
| Other comprehensive income of subsidiaries                       | -       | -               | -                   | -               | -                                      | -              | 389                                  | -                  | 389       | 664                     | 1,053     |
| Realization of depreciation of deemed value of subsidiaries      | -       | -               | -                   | -               | -                                      | -              | (3,427)                              | 3,427              | -         | -                       | -         |
| Effect of non-controlling shareholders on consolidated companies | -       | -               | -                   | -               | -                                      | -              | -                                    | -                  | -         | (39,063)                | (39,063)  |
| Sale of treasury stock                                           | -       | -               | -                   | -               | -                                      | 5,555          | -                                    | -                  | 5,555     | -                       | 5,555     |
| Earnings from sales of treasury stock                            | -       | 55              | -                   | -               | -                                      | -              | -                                    | 55                 | 55        | -                       | 55        |
| Realization of revaluation reserve, net of taxes                 | -       | -               | -                   | -               | -                                      | -              | (45)                                 | 45                 | -         | -                       | -         |
| Proposed allocations:                                            | -       | -               | -                   | -               | -                                      | -              | -                                    | -                  | -         | -                       | -         |
| Legal reserve                                                    | -       | -               | -                   | 6,906           | -                                      | -              | -                                    | (6,906)            | -         | -                       | -         |
| General income reserve                                           | -       | -               | -                   | -               | 89,379                                 | -              | -                                    | (89,379)           | -         | -                       | -         |
| Dividends                                                        | -       | -               | -                   | -               | -                                      | -              | -                                    | (12,102)           | (12,102)  | -                       | (12,102)  |
| Interest on equity capital – Law No. 9249/95                     | -       | -               | -                   | -               | -                                      | -              | -                                    | (32,091)           | (32,091)  | -                       | (32,091)  |
| Balances at December 31, 2009                                    | 406,000 | 55              | -                   | 54,470          | 431,174                                | (22,071)       | 132,065                              | -                  | 1,001,693 | 370,660                 | 1,372,353 |
| Net income for the year                                          | -       | -               | -                   | -               | -                                      | -              | -                                    | 249,493            | 249,493   | 101,873                 | 351,366   |
| Capital contribution with income reserve (Nota 18)               | 324,000 | -               | -                   | -               | (324,000)                              | -              | -                                    | -                  | -         | -                       | -         |
| Effect of non-controlling shareholders on consolidated companies | -       | -               | -                   | -               | -                                      | -              | -                                    | -                  | -         | (26,986)                | (26,986)  |
| Accumulated translation adjustment                               | -       | -               | -                   | -               | -                                      | -              | (614)                                | -                  | (614)     | -                       | (614)     |
| Actuarial adjustment                                             | -       | -               | -                   | -               | -                                      | -              | 30                                   | -                  | 30        | -                       | 30        |
| Realization of depreciation of deemed value                      | -       | -               | -                   | -               | -                                      | -              | (1,717)                              | 1,717              | -         | -                       | -         |
| Realization of biologic assets                                   | -       | -               | -                   | -               | -                                      | -              | (77)                                 | 77                 | -         | -                       | -         |
| Other comprehensive income of subsidiaries                       | -       | -               | -                   | -               | -                                      | -              | 16                                   | -                  | 16        | 150                     | 166       |
| Realization of depreciation of deemed value of subsidiaries      | -       | -               | -                   | -               | -                                      | -              | (3,962)                              | 3,962              | -         | -                       | -         |
| Realization of revaluation reserve, net of taxes                 | -       | -               | -                   | -               | -                                      | -              | (45)                                 | 45                 | -         | -                       | -         |
| Proposed allocations:                                            | -       | -               | -                   | -               | -                                      | -              | -                                    | -                  | -         | -                       | -         |
| Legal reserve                                                    | -       | -               | -                   | 12,363          | -                                      | -              | -                                    | (12,363)           | -         | -                       | -         |
| General income reserve                                           | -       | -               | -                   | -               | 164,358                                | -              | -                                    | (164,358)          | -         | -                       | -         |
| Dividends                                                        | -       | -               | -                   | -               | -                                      | -              | -                                    | (26,050)           | (26,050)  | -                       | (26,050)  |
| Interest on equity capital – Law No. 9,249/95                    | -       | -               | -                   | -               | -                                      | -              | -                                    | (52,523)           | (52,523)  | -                       | (52,523)  |
| Balances at December 31, 2010                                    | 730,000 | 55              | -                   | 66,833          | 271,532                                | (22,071)       | 125,696                              | -                  | 1,172,045 | 445,697                 | 1,617,742 |

See accompanying notes.

## Randon S.A. Implementos e Participações

### Statement of cash flows

Years ended December 31, 2010 and 2009

(In thousands of reais)

|                                                                             | Company   |                             | Consolidated |                             |
|-----------------------------------------------------------------------------|-----------|-----------------------------|--------------|-----------------------------|
|                                                                             | BRGAAP    |                             | IFRS         |                             |
|                                                                             | 2010      | 2009 (restated<br>– note 4) | 2010         | 2009 (restated –<br>note 4) |
| Cash flows from operating activities                                        |           |                             |              |                             |
| Net income for the year                                                     | 249,493   | 135,158                     | 249,493      | 135,158                     |
| Adjustments to reconcile income with cash generated in operating activities |           |                             |              |                             |
| Depreciation and amortization                                               | 25,563    | 21,536                      | 82,104       | 70,405                      |
| Provisions for disputes                                                     | 1,917     | 1,292                       | 4,193        | 6,096                       |
| Allowance for doubtful accounts                                             | 8,051     | 9,142                       | 9,958        | 11,600                      |
| Provision for obsolete inventories                                          | 516       | 2,203                       | 4,746        | 4,620                       |
| Provision for current and deferred income and social contribution taxes     | 16,736    | 2,887                       | 88,605       | 44,914                      |
| Other provisions                                                            | 20,855    | (6,370)                     | 10,069       | 6,230                       |
| Residual cost of fixed assets written-off or sold                           | 6,933     | 1,842                       | 8,290        | 1,830                       |
| Investment disposal                                                         | -         | 257                         | 963          | 155                         |
| Equity pickup                                                               | (144,881) | (91,079)                    | -            | -                           |
| Equity pickup from subsidiaries                                             | -         | -                           | (16,163)     | (5,659)                     |
| Minority interest                                                           | -         | -                           | 75,037       | 27,949                      |
| Goodwill on sale of treasury shares                                         | -         | 55                          | -            | 55                          |
| Sale of treasury shares                                                     | -         | 5,555                       | -            | 5,555                       |
| Foreign exchange variation of subsidiaries abroad                           | -         | -                           | (598)        | (3,320)                     |
| Variations on loans                                                         | 27,053    | (13,971)                    | 38,955       | (19,054)                    |
| Variations on derivatives                                                   | -         | (5,811)                     | 1,070        | (27,009)                    |
| Receipt of profit and dividends from subsidiaries                           | 56,576    | 58,488                      | -            | -                           |
| <b>Variations in assets and liabilities</b>                                 |           |                             |              |                             |
| Accounts receivable                                                         | (124,981) | (73,186)                    | (140,164)    | (50,568)                    |
| Trade accounts receivable                                                   | (91,746)  | 948                         | (120,165)    | (9,434)                     |
| Inventories                                                                 | 4,433     | (32,422)                    | (58,407)     | 44,589                      |
| Trade accounts payable                                                      | 8,795     | 53,953                      | (2,817)      | 75,052                      |
| Accounts payable                                                            | 49,573    | (9,182)                     | 105,886      | (19,633)                    |
| Income and social contribution taxes payments                               | (29,419)  | (8,034)                     | (117,473)    | (51,279)                    |
| Net cash from operating activities                                          | 85,467    | 53,261                      | 223,582      | 248,252                     |
| Cash flows from investing activities                                        |           |                             |              |                             |
| Acquisition of fixed assets                                                 | (67,555)  | (34,750)                    | (142,005)    | (99,817)                    |
| Acquisition of shares and units of interest                                 | (55,288)  | (50,872)                    | -            | -                           |
| Acquisition of intangible assets                                            | (19,740)  | (10,141)                    | (44,168)     | (23,304)                    |
| Write-off of investment for merger                                          | -         | 44,559                      | -            | -                           |
| Net cash used in investing activities                                       | (142,583) | (51,204)                    | (186,173)    | (123,121)                   |
| Cash flows from financing activities                                        |           |                             |              |                             |
| Dividends                                                                   | (12,104)  | (34,303)                    | (3,623)      | (42,869)                    |
| Interest on equity capital                                                  | (37,709)  | (31,911)                    | (39,812)     | (33,170)                    |
| Loans raised                                                                | 440,323   | 204,785                     | 696,997      | 553,004                     |
| Loan payments                                                               | (42,278)  | (102,967)                   | (218,059)    | (276,884)                   |
| Loans raised (paid) with Company and subsidiaries                           | 12,457    | 16,784                      | 73           | 17,303                      |
| Loans raised (paid) with related parties                                    | 3,525     | 2,110                       | 4,375        | (380)                       |
| Interest paid on loan                                                       | (21,101)  | (16,641)                    | (44,536)     | (41,848)                    |
| Net cash used in financing activities                                       | 343,113   | 37,857                      | 395,415      | 175,156                     |
| Increase in cash and cash equivalents                                       | 285,997   | 39,914                      | 432,824      | 300,287                     |
| Changes in cash and cash equivalents                                        |           |                             |              |                             |
| At the beginning of the year (Nota 6)                                       | 169,006   | 129,092                     | 616,659      | 316,372                     |
| At the end of the year (Nota 6)                                             | 455,003   | 169,006                     | 1,049,483    | 616,659                     |
| Increase in cash and cash equivalents                                       | 285,997   | 39,914                      | 432,824      | 300,287                     |

See accompanying notes.

## Randon S.A. Implementos e Participações

Statements of value added  
Years ended December 31, 2010 and 2009  
(In thousands of reais)

|                                                                              | Company          |                             | Consolidated     |                             |
|------------------------------------------------------------------------------|------------------|-----------------------------|------------------|-----------------------------|
|                                                                              | BRGGAP           |                             | IFRS             |                             |
|                                                                              | 2010             | 2009 (restated<br>– note 4) | 2010             | 2009 (restated<br>– note 4) |
| Revenue                                                                      |                  |                             |                  |                             |
| Sales of goods and services (-) returns                                      | 1,984,193        | 1,231,104                   | 4,604,424        | 3,093,401                   |
| Revenue from construction of own assets                                      | 25,513           | 13,058                      | 37,024           | 47,370                      |
| Other revenue                                                                | 4,163            | 5,054                       | 28,266           | 28,170                      |
| Allowance for doubtful accounts                                              | (1,993)          | (3,516)                     | (2,192)          | (4,204)                     |
|                                                                              | <b>2,011,876</b> | 1,245,700                   | <b>4,667,522</b> | 3,164,737                   |
| puts acquired from third parties (include taxes – ICMS, IPI, PIS and COFINS) |                  |                             |                  |                             |
| Raw materials consumed,                                                      | 1,407,215        | 879,120                     | 2,748,593        | 1,813,706                   |
| energy, outsourced services and other operating expenses                     | 188,605          | 128,864                     | 583,829          | 431,885                     |
|                                                                              | <b>1,595,820</b> | 1,007,984                   | <b>3,332,422</b> | 2,245,591                   |
| Retentions                                                                   |                  |                             |                  |                             |
| Depreciation and amortization                                                | 25,563           | 21,536                      | 82,104           | 70,405                      |
| Net value added generated by the Company                                     | <b>390,493</b>   | 216,180                     | <b>1,252,996</b> | 848,741                     |
| Value added received in transfer                                             |                  |                             |                  |                             |
| Equity pickup                                                                | 144,881          | 91,079                      | -                | -                           |
| Rents and royalties                                                          | 1,149            | 1,023                       | 1,404            | 1,133                       |
| Financial income                                                             | 76,802           | 80,471                      | 166,484          | 184,118                     |
|                                                                              | <b>222,832</b>   | 172,573                     | <b>167,888</b>   | 185,251                     |
| Total value added to be distributed                                          | <b>613,325</b>   | 388,753                     | <b>1,420,884</b> | 1,033,992                   |
| Distribution of value added                                                  |                  |                             |                  |                             |
| Employees                                                                    |                  |                             |                  |                             |
| Direct remuneration                                                          | 128,031          | 93,980                      | 329,396          | 262,050                     |
| Benefits                                                                     | 21,722           | 14,549                      | 60,632           | 42,477                      |
| F.G.T.S                                                                      | 12,196           | 9,638                       | 31,402           | 27,171                      |
| Commission on sales                                                          | 424              | 298                         | 2,717            | 1,725                       |
| Management fees and profit sharing                                           | 9,064            | 8,286                       | 18,939           | 16,491                      |
| Employees' profit sharing                                                    | 25,932           | 7,912                       | 55,461           | 26,135                      |
| Private pension plan                                                         | 1,553            | 1,220                       | 3,855            | 3,056                       |
|                                                                              | <b>198,922</b>   | 135,883                     | <b>502,402</b>   | 379,105                     |
| Taxes                                                                        |                  |                             |                  |                             |
| Federal                                                                      | 78,351           | 42,352                      | 317,174          | 221,969                     |
| State                                                                        | 4,845            | 2,393                       | 76,010           | 72,458                      |
| Municipal                                                                    | 1,395            | 1,004                       | 3,890            | 3,053                       |
|                                                                              | <b>84,591</b>    | 45,749                      | <b>397,074</b>   | 297,480                     |
| Financing                                                                    |                  |                             |                  |                             |
| Interest and financial expenses                                              | 74,869           | 69,211                      | 152,717          | 144,343                     |
| Rent                                                                         | 5,449            | 3,195                       | 17,324           | 12,001                      |
|                                                                              | <b>80,318</b>    | 72,406                      | <b>170,041</b>   | 156,344                     |
| Shareholders                                                                 |                  |                             |                  |                             |
| Minority interest in retained earnings                                       | -                | -                           | 101,873          | 66,348                      |
| Interest on equity capital                                                   | 52,523           | 32,091                      | 52,523           | 32,091                      |
| Dividends                                                                    | 26,050           | 12,102                      | 26,050           | 12,102                      |
| Retained earnings for the year                                               | 170,921          | 90,522                      | 170,921          | 90,522                      |
| Value added distributed                                                      | <b>613,325</b>   | 388,753                     | <b>1,420,884</b> | 1,033,992                   |

See accompanying notes.

## **Randon S.A. Implementos e Participações**

Notes to financial statements

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### **1. Operations**

Randon S.A. Implementos e Participações (“Company”), is incorporated as a limited company domiciled in Brazil with shares traded on the São Paulo Stock Exchange (BM&F Bovespa) (RAPT3 e RAPT4). The Company’s business purpose is, a) the manufacture, sale, import and export of automotive and towed vehicles for the movement and transportation of goods; implements for road and rail transport; mechanical apparatus, equipment, machinery, pieces, parts and components related to that sector; b) investment in the capital of other entities; c) administration of its own assets and property; d) road transport of goods; and, e) rendering of services pertinent to its lines of business. The Company, headquartered Avenue Abramo Randon nº 770, Interlagos District – Caxias do Sul – RS, also performs operations through subsidiaries in the following countries: Argentina, Chile, Mexico, China e Germany.

#### Corporate restructuring occurred in 2009

At the Extraordinary Shareholders’ Meeting held on June 30, 2009, the merger of direct subsidiary Randon Veículos Ltda was approved in amounts of R\$ 44,562. The merger was based on studies that indicated both financial and tax administrative and operating savings.

### **2. Summary of significant accounting practices**

#### **2.1 Basis of preparation and presentation of financial statements**

Individual and consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil, that comprise standards established by Brazil’s SEC (CVM) and pronouncements, interpretations and guidelines issued by Brazil’s FASB (CPC).

The consolidated financial statements were also prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

The financial statements for the year ended December 31, 2009, originally prepared in accordance with Brazilian accounting practices in force on that date (old BRGAAP), are being presented for comparative purposes and include the necessary adjustments to comply with international accounting standards.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 2. Summary of significant accounting practices (Continued)

#### 2.1 Basis of preparation and presentation of financial statements (Continued)

The reconciliation of net equity and the statements of income as well as a description of the effects of the transition of Brazilian accounting practices previously adopted in Brazil to CPC/IFRS are stated in Note 4.

For the purposes of the preparation of the individual and consolidated financial statements January 1, 2009, was considered as the transition date. The transition date is defined as the date of initial measurement and presentation of the Company's financial statements.

The Company's individual and consolidated financial statements for the year ended December 31, 2010, were authorized in the Executive Board meeting held on January 24, 2011.

#### 2.2 Basis for consolidation

The consolidated financial statements are comprised of Randon S.A. Implementos e Participações and its subsidiaries at December 31, 2010, as presented below:

|                                               | Ownership interest % |          |        |          |
|-----------------------------------------------|----------------------|----------|--------|----------|
|                                               | 2010                 |          | 2009   |          |
|                                               | Direct               | Indirect | Direct | Indirect |
| Randon Argentina S.A. (a)                     | 99.99                | -        | 99.99  | -        |
| Randon Middle East (a)                        | 100.00               | -        | 100.00 | -        |
| Randon Automotivo Ltda. (a)                   | 100.00               | -        | 100.00 | -        |
| Randon Implementos para o Transporte Ltda.    | 99.99                | -        | 99.99  | -        |
| Jost Brasil Sistemas Automotivos Ltda.        | 51.00                | -        | 51.00  | -        |
| Master Sistemas Automotivos Ltda.             | 51.00                | -        | 51.00  | -        |
| Suspensys Sistemas Automotivos Ltda.          | 22.88                | 27.12    | 22.88  | 27.12    |
| Randon Administradora de Consórcios Ltda.     | 99.57                | -        | 99.57  | -        |
| Castertech Fundação e Tecnologia Ltda.        | 99.99                | -        | 99.99  | -        |
| Randon Investimento Ltda. (c)                 | 99.99                | -        | 99.99  | -        |
| Fras-le S.A.                                  | 45.22                | -        | 45.22  | -        |
| Fras-le Argentina S.A. (a)                    | 6.00                 | 94.00    | 6.00   | 94.00    |
| Fras-le North America. Inc. (a)               | -                    | 100.00   | -      | 100.00   |
| Fras-le Andina Com. Y Repres. Ltda. (a)       | -                    | 99.00    | -      | 99.00    |
| Fras-le Europe (a)                            | -                    | 100.00   | -      | 100.00   |
| Fras-le Friction Material Pinghu Co Ltda. (a) | -                    | 100.00   | -      | 100.00   |
| Fras-le México S de RL de CV (a)              | -                    | 99.66    | -      | 99.66    |

(a) Foreign subsidiary.

(b) Brazilian subsidiary, set up in September 2009.

## **Randon S.A. Implementos e Participações**

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### **2. Summary of significant accounting practices (Continued)**

#### **2.2 Basis of consolidated financial statements (Continued)**

The subsidiaries are fully consolidated as from the date of acquisition, which is the date that the Company gains control. Subsidiaries continue to be consolidated up to the date that this control ceases to exist. The financial statements of subsidiaries are prepared for the same reporting period as the Company, using uniform accounting practices in all consolidated companies which are consistent with those used in the prior year. All inter-company balances, revenues, expenses, unrealized gains and losses stemming from transactions between the companies are completely eliminated.

Any change in the equity holding in a subsidiary that does not result in a loss of control is recorded as a transaction between shareholders recorded under net equity.

Income for the year and for each component of other comprehensive income is allocated to controlling shareholders and minority interest. Losses are allocated to minority interest, even if these result in a negative balance.

#### **2.3 Determination of profit and loss**

Revenue is recognized to the extent that it is probable that economic benefits will be generated for the Company and when these can be measured with reasonable certainty. Revenue is measured based on the fair value of the payment received, excluding discounts, rebates, taxes and charges on sales. The Company evaluates revenue transactions in accordance with specific criteria to determine if it is acting as agent or principal, and concluded that it is acting as principal in all its revenue agreements. The following specific criteria should also be met before there is any recognition of revenue:

##### Sales of goods

Revenue from sales of goods is recognized when the significant risks and benefits of ownership have been transferred to the buyer, which generally occurs on delivery.

## **Randon S.A. Implementos e Participações**

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### **2. Summary of significant accounting practices (Continued)**

#### **2.3 Determination of profit and loss (Continued)**

##### Revenue from services

Revenue from maintenance and advisory services is recognized based on services rendered.

##### Interest income

All financial instruments assessed at amortized cost and financial assets that bear interest, are classified as available for sale, financial income or expenses are recorded using the effective interest rate. This deducts the exact cash amount of estimated future payments or receivables over the estimated lives of the financial instruments or over a shorter period, when applicable, to the net book value of the financial asset or liability. Interest income is included under the heading financial income in the statements of income.

##### Dividends

Revenue from dividends is recognized when the right to receive it has been established.

#### **2.4 Translation of balances denominated in foreign currency**

The consolidated financial statements are presented in Reais (R\$), which is the Company's functional currency. Each of the Company's subsidiaries determines its own functional currency. For entities whose functional currency is not the Real the financial statements are translated to the Real on the date of the financial statements.

##### i. Transactions and balances

Transactions in foreign currency are initially recorded at the rate of exchange with the functional currency on the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate on the balance sheet date. Any differences are recorded in the statements of income.



## **Randon S.A. Implementos e Participações**

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### **2. Summary of significant accounting practices --Continued**

#### **2.4 Translation of balances denominated in foreign currency --Continued**

##### ii. Companies of the Group

The assets and liabilities of subsidiaries abroad are translated to Reais at the exchange rate on the balance sheet date, and the corresponding statements of income are translated at the average monthly rates for the year. The foreign exchange variation is recorded separately in net equity.

For consolidation purposes the financial statements of these subsidiaries are included in the consolidated financial statements and the adjustments stemming from the foreign exchange variation of assets and liabilities denominated in foreign currency are recorded in the equity valuation adjustment group of accounts under consolidated statements of changes in equity.

#### **2.5 Cash and cash equivalents**

These include cash, positive checking account balances, and short-term investments redeemable within 90 days of the transaction date posing low risk of any change in market value. Short-term investments included in cash and cash equivalents, are classified under the category "financial assets at fair value through profit and loss". The opening balance of these short-term investments by classification is presented in Note 6.

#### **2.6 Short-term investments**

The classification of investments depends on the purpose for which they were acquired and are adjusted to fair value, according the criteria as described in Note 2.24. When applicable, the costs directly attributable to the acquisition of the financial asset are added to the amount recorded originally.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 2. Summary of significant accounting practices --Continued

#### 2.7 Trade accounts receivable

Trade accounts receivable are recorded at the billed amount, adjusted to present value when applicable, including direct taxes that fall under the Company's responsibility, less withholding taxes, which are considered tax credits. Trade accounts receivable from abroad are restated as stated in Note 2.4i.

If the receipt period is a year or less, receivables are classified under current assets. If not these are classified as non-current assets.

*The allowance for doubtful accounts was set up for any amount considered sufficient by management to cover adventitious losses on receivables and was based on the analysis of individual balances receivable from customers presenting risk of default.*

#### 2.8 Inventories

Inventories are valued at cost or net realizable value, whichever is lower. The costs incurred in transporting each product to its current location and its current condition are recorded as follows:

Raw materials – cost of acquisition according to average cost.

Finished goods and goods in process – direct cost of materials, labor and a proportionate portion of indirect general production expenses based on normal operating capacity, excluding borrowing costs.

The net realizable value corresponds to the sales price in the normal course of business, less estimated finishing costs and necessary selling costs.

The provisions for slow-moving or obsolete inventories are set up when considered necessary by management.

#### 2.9 Consortium quotas

Evaluated at the amount of credit subject to the investment in quotas of the consortium group up to the balance sheet date. These are classified as receivables.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 2. Summary of significant accounting practices (Continued)

#### 2.10 Investments

Investments in subsidiaries are valued by the equity method, in accordance with CPC18 (IAS28), for subsidiary financial statement purposes.

Other investments that do not classify in the category above are valued at cost of acquisition less the provision for impairment, when applicable.

After application of the equity method for purposes of the financial statements of the Company, it determines if it is necessary to recognize any additional impairment of the Company's investment in each of its subsidiaries. The Company determines, at each balance sheet date, whether there is objective evidence that investments in subsidiaries suffered impairment. If so, the Company calculates the impairment amount as the difference between the recoverable value of the subsidiary and its book value and recognizes this amount in the Company's income statement.

#### 2.11 Property, plant and equipment

Depreciation is calculated by the straight line method at rates which take into consideration the estimated useful lives of the assets, as described below:

|                              | <u>Useful lives</u> |
|------------------------------|---------------------|
| Buildings                    | 40 to 60 years      |
| Premises                     | 20 years            |
| Machinery and equipment      | 6 to 19 years       |
| Tooling                      | 3 to 10 years       |
| Vehicles                     | 7 to 15 years       |
| Furniture and fittings       | 10 to 20 years      |
| IT equipment                 | 4 to 8 years        |
| Energy sub-station use right | 10 years            |

A property, plant and equipment item is written-off when sold or when no future economic benefit is expected through its use or sale. Any gain or loss stemming from the disposal of the asset (calculated as the difference between the net sales amounts and the book value of the asset) are included in the statements of income for the year in which the asset was written-off.

## **Randon S.A. Implementos e Participações**

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### **2. Summary of significant accounting practices (Continued)**

#### **2.11 Property, plant and equipment (Continued)**

In the year ended December 31, 2010 and 2009, the Company did not identify existence of indication that the book value of certain property, plant and equipment items could be above their recoverable value, consequently no provision for impairment of property, plant and equipment is necessary.

The residual value, the useful lives of assets and depreciation methods are revised at year end, and adjusted prospectively when applicable.

Due to changes in Brazilian accounting practices in order to fully adhere to the process of convergence to international accounting practices and first-time adoption of Accounting Pronouncements CPC 27 (IAS 16) and CPC 28 (IAS 40), the Company opted to perform the adjustment of opening balances similar to those permitted by international accounting standards through utilization of the deemed cost concept, as provided in Accounting Pronouncements CPC 37 (IFRS 1) and 43 (See Note 4)

#### Financing costs

Financing costs directly relating to the construction of an asset that necessarily requires a significant amount of time to reach completion are capitalized as part of the cost of the corresponding asset. All other financing costs are recorded at expenses in the period in which they were incurred. Financing costs include interest and other costs incurred by an entity relating to the loan. The Company capitalizes borrowing costs to all eligible assets.

#### **2.12 Commercial leasing**

#### Financing lease agreements

Certain financial lease agreements substantially transfer the risk and benefits inherent in the ownership of assets to the Company. The contracts are characterized as financial lease agreements and the assets are recognized at fair value or at the present value of current minimum payments provided for in contracts. Assets recognized as such are depreciated by the depreciation rate applicable to each asset group. Financial expenses relating to financial lease agreements are allocated to the statements of income over the term of the agreement based on the amortized cost method and the effective interest rate..

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 2. Summary of significant accounting practices (Continued)

#### 2.12 Commercial leasing (continued)

##### Operating lease agreements

Payments made under operating lease agreements are recognized as expenses in the statements of income under the heading rents and leasing in accordance with the straight line method over lease agreement term.

#### 2.13 Intangible assets

Intangible assets acquired separately are measured upon initial recognition at cost of acquisition, later deducting accumulated amortization and impairment, when applicable.

Amortization is calculated by the straight line method along asset useful life at rates that take into consideration the estimated useful lives of assets, as under.

|                              | <u>Useful lives</u> |
|------------------------------|---------------------|
| Software and license         | 5 years             |
| Energy sub-station use right | 10 years            |

At December 31, 2010 and 2009, the Company did not have intangible assets with indefinite useful life or intangible assets generated in-house.

#### 2.14 Impairment of non-financial assets

Management annually revises the net book value of assets in order to assess events or changes in economic, technological or operating circumstances indicating impairment. If any evidence of impairment is found and the net book value exceeds the recoverable value a provision for impairment is set up adjusting the net book value to the recoverable value.

The recoverable value of an asset or any given cash generating unit is defined as the higher figure between value in use and the net sales value.

## **Randon S.A. Implementos e Participações**

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### **2. Summary of significant accounting practices (Continued)**

#### **2.14 Impairment of non-financial assets (Continued)**

To estimate the value in use of any asset the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the average weighted cost of capital in the industry in which the cash generating unit operates. The net sales value is determined whenever possible based on the agreed sales contract in any transaction on a commutative basis, between known and interested parties, adjusted by expenses attributable to sale of the asset, or when there is no sales agreement, based on the market price in an active market or the most recent transaction price of similar assets.

#### **2.15 Adjustment to present value of assets and liabilities**

Monetary assets and liabilities are adjusted to their present value when the effect in relation to the overall financial statements is considered significant. The adjustment to present value calculation is made based on interest rates that reflect the period and the risk of each transaction. For forward transactions the Company and its subsidiaries use the variation in the Interbank Deposit Certificate (CDI), given that this is the reference rate used for this type of transaction. The matching entry for the adjustment to present value of accounts receivable is gross revenue in the statements of income and the difference between the present value of a transaction and the face value on billing is considered financial income and allocated based on the average amortized cost and the effective long term maturity of the transaction.

The adjustment to present value of acquisitions is recorded in supplier and cost accounts, the realization of which is matched against the financial expenses account at the end of the term for each supplier.

At December 31, 2010 and 2009, we did not identify other transactions that may be considered significant in relation to the overall financial statements.

## **Randon S.A. Implementos e Participações**

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### **2. Summary of significant accounting practices (Continued)**

#### **2.16 Provisions**

##### General

Provisions are recognized when the Company has a present obligation (legal or not formalized) due to a past event, it is probable that economic resources will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

##### Provision for tax, civil and labor contingencies

The Company is party to various judicial and administrative proceedings. Provisions are set up for all disputes relating to judicial proceedings for which the likelihood of an outflow of resources to settle the disputes / obligation is probable and can be estimated with reasonable certainty. The probability of loss includes the evaluation of available evidence, the hierarchy of laws, available jurisprudence, more recent court decisions, and their significance in the judicial realm as well as the assessment of the Company's legal counsel. The provisions are reviewed and adjusted to take changes in circumstances into consideration such as the applicable period of laches, conclusions of tax audits or additional exposure identified based on new issues or court decisions.

#### **2.17 Taxation**

##### Taxes on sales

Revenues, expenses and assets are recorded net of sales taxes, except:

- When taxes on sales incurred in the purchase of assets or services are not recoverable from tax authorities, in this hypothesis taxes on sales are recognized as part of the cost of acquisition or expense item, when applicable;
- When accounts payable and receivable were recorded including taxes on sales, and
- When the net amount of sales taxes, recoverable or payable is included as a component amount of payable/ receivable accounts in the balance sheets

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 2. Summary of significant accounting practices (Continued)

#### 2.17 Taxation (Continued)

##### Taxes on sales (Continued)

Revenues from sales and services are subject to the following taxes and contributions at the following statutory rates:

|                                                     | Rate        |              |
|-----------------------------------------------------|-------------|--------------|
|                                                     | Company     | Consolidated |
| State VAT (ICMS)                                    | 7% to 17%   | 7% to 25%    |
| Federal VAT (IPI)                                   | 0 % to 20%  | 0 % to 20%   |
| Contribution for Social Security Financing (COFINS) | 0% to 10.8% | 0% to 10.8%  |
| Contribution for Social Integration Program (PIS)   | 0% to 2.3%  | 0% to 2.3%   |
| Service Tax (ISSQN)                                 | 2% to 4%    | 2% to 5%     |

These charges are recorded as sales deductions. Non-cumulative PIS/COFINS credits are recorded reducing cost of goods sold.

##### Current income and social contribution taxes

Tax assets and liabilities in the previous and prior years are measured at the expected recoverable or payable value to the tax authorities and are carried in current or non-current assets in accordance with the forecast of their realization and/ or settlement. The tax rates and the tax laws used to calculate the amount are those in force, or substantially in force, on the balance sheet date in the countries where the Company operates and generates taxable income.

Income and social contribution taxes relating to items directly recognized in net equity are carried in the statements of equity. Management regularly assesses the tax position of matters for which tax regulation requires interpretation and establishes provisions when appropriate.



## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 2. Summary of significant accounting practices (Continued)

#### 2.17 Taxation (Continued)

##### Deferred taxes

Deferred taxes are generated by temporary differences between the tax bases of assets and liabilities and their book values on the balance sheet date.

Deferred tax liabilities are recognized for all temporary tax differences, except:

- when a deferred tax liability arises from initial recognition of goodwill, or an asset or liability in a transaction that is not a business combination and which does not affect the book value, net income or tax losses on the date of the transaction; and
- on temporary differences relating to investments in subsidiaries, where the reversal period for temporary differences cannot be controlled and it is probable that temporary differences will not be reversed in the near future.

Deferred tax assets are recognized for all deductible temporary differences, tax credits and unutilized tax losses, to the extent that it is probable that taxable income will be generated so that the deductible temporary differences may be realized and that unutilized tax credits and debits may be utilized, except:

- when the tax credit relating to a temporary deductible difference is generated in the initial recognition of assets and liabilities in a transaction that is not a business combination and does not affect the book value, net income or tax losses on the date of the transaction; or
- on deductible temporary differences with investments in subsidiaries tax credits are recognized only to the extent that it is probable that temporary differences will be reversed in the near future and taxable profit will be generated so that these temporary differences can be utilized.

The book value of tax credits is reviewed on each balance sheet date and written off to the extent that it is no longer probable that taxable profit will be generated to allow all or part of the deferred tax assets to be utilized. Written-off deferred tax assets are reviewed on each balance sheet date and are recognized to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered.

## **Randon S.A. Implementos e Participações**

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### **2. Summary of significant accounting practices (Continued)**

#### **2.17 Taxation (Continued)**

##### Deferred taxes (Continued)

Deferred tax assets and liabilities are measured at the tax rate that is expected to be applied in the year in which the asset will be realized or the liability settled based on income taxes (and tax law) in force on the balance sheet date.

Deferred taxes relating to items recognized directly in net equity are also recognized in net equity but not in the statements of income. Deferred tax items are recognized in accordance with the transaction that generated the deferred tax asset in the statements of comprehensive income or directly in net equity. Deferred tax assets and liabilities are stated net of any legal or contractual right to offset them against tax liabilities and deferred taxes are related to the same taxpaying entity under the same tax authority.

Deferred tax assets arising from income and social contribution tax losses and temporary differences were recorded, and take into consideration the history of profitability and expected generation of future taxable income supported by a technical feasibility analysis, approved by the Board of Directors.

#### **2.18 Employee private pension and post-employment benefit plan**

The Company sponsors a supplementary defined contribution type private pension plan the main objective of which is to supplement the benefits guaranteed and awarded through social security to its employees. The plan affords the following benefits: standard retirement, early retirement, retirement through invalidity, pension payment due to death, proportional benefit and minimum guaranteed benefits. The benefit plan is actuarially evaluated at year end by independent actuaries to verify if the rates of the contributions are sufficient for the formation of reserves necessary to meet actual and future commitments. Actuarial gains and losses are recognized immediately in net equity in the comprehensive income group of accounts in accordance with Accounting Pronouncement CPC 33 – Benefits to Employees.

The private pension plan sponsoring costs are recognized as expenses when the contributions are made.

## **Randon S.A. Implementos e Participações**

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### **2. Summary of significant accounting practices (Continued)**

#### **2.19 Other benefits to employees**

Other benefits awarded to the Company's employees and management include, in addition to fixed remuneration (salaries and charges to Social Security (INSS), vacations, 13th salary), variable remuneration such as profit sharing and the defined contribution pension plan (Note 23). These benefits are recorded in net income for the year when the Company has a liability recorded under the accrual method, to the extent these are incurred.

#### **2.20 Earnings per share**

The Company calculates earnings per lot of one thousand shares – utilizing the weighted total average of outstanding common and preferred shares during the period corresponding to the statements of income in accordance with Accounting Pronouncement CPC 41 (ISA 33).

#### **2.21 Treasury shares**

The Company's treasury shares are restated and recognized at cost and deducted from net equity. No gain or loss is recognized in the statements of income in the acquisition, sale, issue or cancellation of the Company's own equity instruments. Any difference between the book value and payment is recognized in other capital reserves.

#### **2.22 Government grants**

Government grants are recognized when there is reasonable certainty that the benefit will be received and the all the corresponding conditions will be met. When the benefit relates to an expenses item, it is recognized as revenue over the period of the benefit, on a systematic basis in relation to the costs which the benefit is intended to offset. When the benefit refers to an asset it is recognized as unearned income and recorded in the statements of income at amounts equal to the expected useful life of the corresponding asset.

## **Randon S.A. Implementos e Participações**

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### **2. Summary of significant accounting practices (Continued)**

#### **2.23 Statements of cash flows**

The statements of cash flows were prepared by the indirect method and are being presented in accordance with CVM Rule No. 547, dated August 13, 2008, that approved Accounting Pronouncement CPC 03 (IAS 7) – Statements of Cash Flows issued by the CPC.

#### **2.24 Financial instruments – Initial recognition and subsequent measurement**

##### Initial recognition and subsequent measurement

Financial instruments are initially recorded at fair value plus transaction costs that are directly attributable to their acquisition or issuance except for financial assets or liabilities classified under the category of fair value through profit and loss when such costs are directly recorded in the statements of income.

The main financial assets recognized by the Company are: cash and cash equivalents, trade accounts receivable, and derivative financial instruments. These assets were classified under the category of financial assets at fair value through profit and loss, loans and accounts receivable.

The main financial liabilities are: trade and other accounts payable, loans and financing and derivative financial instruments.

##### Subsequent measurement

Subsequent measurement of financial instruments takes place at each balance sheet date in accordance with the classification of the financial instruments under the following categories of financial assets and liabilities: financial assets and financial liabilities measured at fair value through profit and loss, investments held to maturity, loans and accounts receivable, loans and financing, financial assets and financial instruments that are available for sale.

## **Randon S.A. Implementos e Participações**

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### **2. Summary of significant accounting practices --Continued**

#### **2.24 Financial instruments – Initial recognition and subsequent measurement (Continued)**

##### Subsequent measurement (continued)

The Company's financial assets and liabilities were classified according to the following categories:

##### *Financial assets and liabilities stated at fair value through profit and loss*

Financial assets and liabilities stated at fair value through profit and loss include financial instruments held for trading and financial assets and liabilities stated at initial recognition at fair value through profit and loss. Instruments acquired for sale in the short-term are classified as held for trading.

This category includes derivative financial instruments contracted by the Company that do not satisfy hedge accounting criteria defined in CPC 38. Derivatives, including embedded derivatives that are not intrinsically related to the main contract and must be held separately are also classified as held for trading, unless they are classified as effective hedge instruments. Financial assets at fair value through profit and loss are recorded in the balance sheet at fair value with corresponding gains or losses recognized in the statements of income. Interest, monetary restatement, foreign exchange variation and adjustments to fair value are recognized in the statements of income when incurred.

##### *Investments held to maturity*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has expressed the intention and financial capacity to hold them to maturity. After initial evaluation, investments held to maturity are stated at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated taking into consideration any discount or premium on acquisition and charges or costs incurred. Amortization of effective interest is included in financial income account, in the income statement. Impairment losses are recognized as financial expenses in the income statement.

## **Randon S.A. Implementos e Participações**

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### **2. Summary of significant accounting practices --Continued**

#### **2.24 Financial instruments – Initial recognition and subsequent measurement (Continued)**

##### Subsequent measurement (continued)

###### *Loans and receivables*

Loans and receivables are non-derivative financial instruments, with fixed quantifiable payments that are not traded on an active market. After initial recognition these financial assets are stated at amortized cost using the effective interest method (effective interest rate), less impairment. The amortized cost takes any discount or bonus of the acquisition into consideration as well as the taxes and costs incurred. The amortization of the effective interest method is carried under financial income in the statements of income. Losses for impairment are recognized as financial expenses in the statements of income.

###### *Loans and financing*

After initial recognition loans and financing incurring interest are later measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in the statements of income at the moment that the liabilities are written-off, as well as during the amortization process by the effective interest method.

#### **2.25 Derivative financial instruments and hedge accounting**

##### Initial recognition and subsequent measurement

The Company and its subsidiaries use derivative financial instruments, such as forward exchange contracts and interest rate swaps to provide hedge against the risk of change in exchange rate and in interest rate, respectively.

Derivative financial instruments designated in hedge operations are initially recognized at fair value on the date that the derivative instrument is contracted and are later restated to fair value. Derivatives are presented as financial assets when the fair value of the instrument is positive and as financial liabilities when the fair value of the instrument is negative.

## **Randon S.A. Implementos e Participações**

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### **2. Summary of significant accounting practices (Continued)**

#### **2.25 Derivative financial instruments and hedge accounting (Continued)**

##### Initial recognition and subsequent measurement (Continued)

Any gains and losses stemming from changes in the fair value of derivatives over the year are recorded in the statements of income with the exception of the effective hedged portion of cash flows which is recognized in net equity in the statements of other comprehensive income.

As from 2010, its subsidiary Fras-le S.A. began to utilize the registration of derivatives such as hedge accounting, classified under cash flow hedge, in order to hedge against any cash flow fluctuation attributable to any given risk associated with a recognized asset, liability or transaction that is highly likely to affect the statements of income.

On initial recognition the Company formally classifies and documents the hedge contract that it wishes to include under hedge accounting as well as management's risk management objective and strategy for that hedge transaction. The documentation includes identification of the hedge instrument, the item or transaction to be hedged, the nature of the risks hedged, a prospective statement of hedge effectiveness and the means by which the Company will evaluate the effectiveness of the hedge instrument in order to offset exposure to any change in the value of the hedged item or cash flows in relation to the risk of the hedged item.

Regarding cash flow hedge it is assumed that these hedge transactions are highly effective in offsetting any changes in fair value or cash flows, and are constantly assessed to verify if these are highly effective over the duration of all base periods for which they were intended.

## **Randon S.A. Implementos e Participações**

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### **2. Summary of significant accounting practices (Continued)**

#### **2.25 Derivative financial instruments and hedge accounting (Continued)**

##### Initial recognition and subsequent measurement (Continued)

The criteria used in to record them are as follows:

- The effective part of the gain or loss of the hedge instrument is recognized directly in net equity and other comprehensive income, while the ineffective part of the hedge is immediately recognized in financial income.
- When the Company's documented risk management strategy for any given hedge relationship excludes from the hedge effectiveness evaluation any particular component of gain or loss or related cash flows from the hedge instrument that gain or loss component is immediately recognized in financial income.
- The amounts recorded in other comprehensive income are immediately transferred to the statements of income when the hedged transaction affects net income, for example, when hedged financial income or expenses are recognized or when a sale is likely to occur. When a hedged item pertains to the cost of a non-financial asset or liability the amounts recorded in net equity are transferred at their initial book value to non-financial assets and liabilities.
- If a projected transaction or contracted sale is no longer expected to occur, the amounts previously recognized in net equity are transferred to the statements of income.
- If the hedge instrument expires, is sold, is terminated or exercised without substitution or rollover, or if its classification as a hedge is revoked, the gains and losses previously recorded in comprehensive income remain deferred in net equity in the other comprehensive income reserve up to the moment that the projected transaction or contracted sale affect net income.



## **Randon S.A. Implementos e Participações**

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### **2. Summary of significant accounting practices (Continued)**

#### **2.26 Segment information**

Operating segment information is presented consistently in internal reports supplied to the main operational decision makers, i.e. the Executive board, which is also responsible for taking the Company's strategic decisions.

### **3. Significant judgments, accounting estimates and assumptions**

The preparation of the Company's individual and consolidated financial statements requires management to use professional judgment and estimates and adopt assumptions that affect the amounts presented in revenue, expenses, assets and liabilities, as well as disclosures on contingent liabilities on the financial statements base date. However, uncertainty relating to these assumptions and estimates may require a significant adjustment to the book value of an asset or liability affecting future periods.

#### Estimates and assumptions

The main assumptions relating to sources of uncertainty over future estimates and other important sources of uncertainty over estimates on the balance sheet date, which involve a significant risk of an adjustment in the book value of assets and liabilities in the next financial year are detailed as follows:

#### *Taxes*

There are uncertainties in relation to interpretation of complex tax regulations as well as the amount and timing of future taxable income. Given the wide range of international business relationships, as well as the long term nature and complexity of existing contractual instruments, differences between actual results and the adopted assumptions, or future changes in these assumptions, could require future adjustments in recorded revenue and tax expense. The Company set up provisions, based on applicable estimates, for possible consequences of tax audits in the jurisdiction to which the Company is subject. The amount of these provisions is based on several factors, such as experience from previous tax audits and different interpretation of tax regulations by the Company and the relevant tax authorities. These differences in interpretation may arise in relation to several matters, depending on the conditions prevailing in the jurisdiction to which the Company is subject.

## **Randon S.A. Implementos e Participações**

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### **3. Significant judgments, accounting estimates and assumptions (Continued)**

#### Estimates and assumptions (continued)

##### *Retirement benefits*

The current value of pension plan benefits depends on a series of factors that are determined using actuarial valuation methods. Actuarial valuation involves the use of assumptions on discounts rates, expected rates of return on assets, future salary increases, mortality rates and future increases in retirement and pension plan benefits. The defined contribution obligation is highly sensitive to any changes in these assumptions. All assumptions are reviewed at each base date.

The mortality rate is based on mortality tables available in Brazil. Future increases in salaries and retirement and pension plan benefits are based on expected inflation rates in Brazil.

See Note 12 for more information on the assumptions utilized.

##### *Fair value of financial instruments*

When the fair value of financial assets and liabilities presented in the balance sheets cannot be obtained in an active market, it is determined using valuation methodologies including the discounted cash flow method. The data for these methods is based on that practiced in the market whenever possible however, when this is not viable, a certain amount of judgment is required to establish fair value. Judgment includes considerations on the data utilized such as liquidity risk, credit risk and volatility. Changes in assumptions on these factors may affect the fair value of the financial instruments presented.

##### *Provisions for tax, civil and labor liabilities*

The Company records a provision for tax, civil and labor proceedings. The evaluation of the likelihood of loss includes an assessment of available evidence, the hierarchy of law, judicial decisions, the most recent court decisions and their significance in the legal realm, as well as the assessment of legal counsel. The provisions are reviewed and adjusted to take any changes in circumstances into consideration, such as the applicable period of laches, the findings of tax audits or additional exposure identified based on new issues or court decisions.

## **Randon S.A. Implementos e Participações**

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### **3. Significant judgments, accounting estimates and assumptions (Continued)**

Estimates and assumptions (Continued)

*Provisions for tax, civil and labor liabilities (continued)*

The settlement of transactions involving such estimates may result in significantly different amounts from those estimated due to inaccuracies inherent to the estimation process. The Company reviews its estimates and assumptions at least on a quarterly basis.

### **4. First-time adoption of CPCs and IFRS**

Up to December 31, 2009, the Company's financial statements (company and consolidated) were presented in accordance with accounting practices adopted in Brazil, supplementary CVM standards, CPC accounting pronouncements issued up to December 31, 2008 and the provisions of Brazil's Corporation Law (BRGAAP). The Company prepared its financial statements in accordance with standards provided in CPCs and IFRS for the periods beginning January 1, 2010, onwards as described in its accounting policies. For the current financial statements, the opening balance considered was January 1, 2009, transition date for the CPCs and IFRS. This note explains the main adjustments made by the Company to restate the opening BRGAAP balance sheet at January 1, 2009, and also for the reported balance sheet previously presented, prepared in accordance with BRGAAP for the year ended December 31, 2009.

The consolidated financial statements for the year ended December 31, 2010, are the first to be presented in accordance with CPCs and IFRS, and were prepared in accordance with CPC 37 and 43 and IFRS1

The individual financial statements for the year ended December 31, 2010, are the first to be reported in accordance with CPCs and were presented in accordance with CPC 37 and 43.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 4. First-time adoption of CPCs and IFRS (Continued)

The Company adopted all CPC pronouncements, guidelines and interpretations issued up to December 31, 2010, as a result the consolidated financial statements are in accordance with international accounting standards issued by the IASB and approved by the CPC.

The Company took into consideration the provisions of CVM Rule No. 656/11, as regards presentation of certain information in the Quarterly Financial Information (ITR) of 2010, previously presented and that already included the required adjustments for purposes of comparison with the 2009 amounts (see Note 32).

In the preparation of these financial statements the Company applied some optional exemptions applied retrospectively.

#### Exemptions applied retrospectively

##### Estimates

Estimates utilized in the preparation of financial statements at January 1, 2009, are consistent with those estimates registered in accordance with accounting practices previously adopted in Brazil.

#### Exemptions adopted

##### a) *Deemed cost:*

The Company applied fair value to determine certain property, plant and equipment items (land, buildings and certain items of machinery and equipment) at fair value at the base date January 1, 2009. The valuation study of these assets was performed by a specialist company that determined fair value at R\$ 349,369 Company and R\$ 1,118,571 Consolidated, an increase of R\$ 103,262 Company and R\$ 276,265 Consolidated, recorded under property, plant and equipment, matched against net equity under the comprehensive income account, net of tax effects.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 4. First-time adoption of CPCs and IFRS (Continued)

#### Exemptions adopted (Continued)

##### a) *Deemed cost* (Continued):

The effects of the adoption of fair value for some property, plant and equipments at January 1, 2009, were as follows:

|                         | Company                 |                           |                        | Consolidated            |                           |                         |
|-------------------------|-------------------------|---------------------------|------------------------|-------------------------|---------------------------|-------------------------|
|                         | 01/01/2009<br>Published | Deemed cost<br>adjustment | 01/01/2009<br>Restated | 01/01/2009<br>Published | Deemed cost<br>adjustment | 01/01/2009<br>Restated  |
| Land and buldings       | 97,942                  | 91,652                    | <b>189,594</b>         | 219,271                 | 178,195                   | <b>397,466</b>          |
| Machinery and equipment | 148,165                 | 11,610                    | <b>159,775</b>         | 623,035                 | 98,070                    | <b>721,105</b>          |
|                         | <u>246,107</u>          | <u>103,262</u>            | <u><b>349,369</b></u>  | <u>842,306</u>          | <u>276,265</u>            | <u><b>1,118,571</b></u> |

##### b) *Benefits to employees:*

Based on the Company's evaluations, there was application of the exemption related to recording of employees' post-employment benefits, with recording of actuarial gains and losses as well as costs of past services not recognized until the transition date, in other comprehensive income account in equity. These actuarial gains and losses at the transition date were calculated in accordance with the criteria established by Technical Pronouncement CPC 33 Benefits to Employees. Actuarial gains and losses determined in subsequent period to the transition date were recognized through other comprehensive income account. Based on the actuarial evaluation prepared by independent actuaries, there are no assets and liabilities to be recognized as of the transition date..

#### Reconciliation of accounting practices applied in the preparation of previously reported financial statements

In accordance with CPC 37 R (IFRS 1) the Company reports the reconciliation of Company and consolidated assets, liabilities, statements of income, net equity and comprehensive income for the years previously reported in the annual financial information relating to the periods 1.1.2009 (transition date) and 12.31.2009, prepared in accordance with accounting practices adopted in Brazil (BRGAAP) effective up to December 31, 2009, and international standards, considering the CPCs in force in 2010.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 4. First-time adoption of CPCs and IFRS (Continued)

#### Reconciliation of accounting practices applied in the preparation of previously reported financial statements (Continued)

##### *Company balance sheet*

|                               | Note      | 12/31/2009<br>previously<br>reported | Transition<br>adjustments<br>to IFRS/CPC | 12/31/2009<br>adjusted | 01/01/2009<br>previously<br>reported | Transition<br>adjustments<br>to IFRS/CPC | 01/01/2009<br>adjusted |
|-------------------------------|-----------|--------------------------------------|------------------------------------------|------------------------|--------------------------------------|------------------------------------------|------------------------|
| <b>Assets</b>                 |           |                                      |                                          |                        |                                      |                                          |                        |
| <b>Current assets</b>         |           |                                      |                                          |                        |                                      |                                          |                        |
| Cash and cash equivalents     |           | 169,006                              | -                                        | 169,006                | 129,092                              | -                                        | 129,092                |
| Short-term investments        |           | 68,513                               | -                                        | 68,513                 | -                                    | -                                        | -                      |
| Trade accounts receivable     |           | 232,389                              | -                                        | 232,389                | 242,479                              | -                                        | 242,479                |
| Inventories                   |           | 136,781                              | -                                        | 136,781                | 106,562                              | -                                        | 106,562                |
| Taxes recoverable             |           | 59,032                               | -                                        | 59,032                 | 31,595                               | -                                        | 31,595                 |
| Prepaid expenses              |           | 2,078                                | -                                        | 2,078                  | 1,294                                | -                                        | 1,294                  |
| Deferred taxes                | (a)       | 17,314                               | (17,314)                                 | -                      | 16,485                               | (16,485)                                 | -                      |
| Other accounts                |           | 21,618                               | -                                        | 21,618                 | 30,272                               | -                                        | 30,272                 |
|                               |           | 706,731                              | (17,314)                                 | 689,417                | 557,779                              | (16,485)                                 | 541,294                |
| <b>Non-current assets</b>     |           |                                      |                                          |                        |                                      |                                          |                        |
| <b>Long-term receivables</b>  |           |                                      |                                          |                        |                                      |                                          |                        |
| Related parties               |           | 15                                   | -                                        | 15                     | 3,961                                | -                                        | 3,961                  |
| Consortium quotas             |           | 12,529                               | -                                        | 12,529                 | 12,424                               | -                                        | 12,424                 |
| Deferred taxes                | (a, e)    | 2,074                                | 18,769                                   | 20,843                 | 2,674                                | 17,454                                   | 20,843                 |
| Taxes recoverable             |           | 12,652                               | -                                        | 12,652                 | 23,371                               | -                                        | 23,371                 |
| Judicial deposits             | (i)       | 801                                  | 800                                      | 1,601                  | 347                                  | 1,010                                    | 1,601                  |
| Biologic assets               | (m)       | -                                    | 5,625                                    | 5,625                  | -                                    | 5,761                                    | 5,625                  |
| Other accounts                | (d)       | -                                    | 1,698                                    | 1,698                  | 88                                   | -                                        | 1,698                  |
|                               |           | 28,071                               | 26,892                                   | 54,963                 | 42,865                               | 24,225                                   | 67,090                 |
| Investments                   | (j,k)     | 469,899                              | 51,229                                   | 521,128                | 432,269                              | 52,284                                   | 483,413                |
| Property, plant and equipment | (b, f, m) | 298,181                              | 99,529                                   | 397,710                | 284,861                              | 99,694                                   | 384,555                |
| Intangible assets             |           | 13,085                               | -                                        | 13,085                 | 4,727                                | -                                        | 13,085                 |
| Deferred charges              | (l)       | 923                                  | (923)                                    | -                      | 1,171                                | (1,171)                                  | -                      |
|                               |           | 782,088                              | 149,835                                  | 931,923                | 723,028                              | 150,807                                  | 874,835                |
| <b>Total assets</b>           |           | <b>1,516,890</b>                     | <b>159,413</b>                           | <b>1,676,303</b>       | <b>1,323,672</b>                     | <b>158,547</b>                           | <b>1,485,125</b>       |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 4. First-time adoption of CPCs and IFRS (Continued)

#### Reconciliation of accounting practices applied in the preparation of previously reported financial statements (Continued)

##### *Company balance sheet* (Continued)

|                                                       | Note         | 12/31/2009<br>previously<br>reported | Transition<br>adjustment<br>s to<br>IFRS/CPC | 12/31/2009<br>adjusted | 01/01/2009<br>previously<br>reported | Transition<br>adjustment<br>s to<br>IFRS/CPC | 01/01/2009<br>adjusted |
|-------------------------------------------------------|--------------|--------------------------------------|----------------------------------------------|------------------------|--------------------------------------|----------------------------------------------|------------------------|
| <b>Liabilities</b>                                    |              |                                      |                                              |                        |                                      |                                              |                        |
| <b>Current liabilities</b>                            |              |                                      |                                              |                        |                                      |                                              |                        |
| Trade accounts receivable                             |              | 70,452                               | -                                            | 70,452                 | 16,499                               | -                                            | 16,499                 |
| Loans and financing                                   |              | 34,173                               | -                                            | 34,173                 | 107,826                              | -                                            | 107,826                |
| Derivative financial instruments]                     |              | -                                    | -                                            | -                      | 5,811                                | -                                            | 5,811                  |
| Advances from customers                               |              | 29,201                               | -                                            | 29,201                 | 34,998                               | -                                            | 34,998                 |
| Trade accounts receivable - for goods to be delivered |              | 12,679                               | -                                            | 12,679                 | 16,789                               | -                                            | 16,789                 |
| Taxes and contributions                               |              | 7,174                                | -                                            | 7,174                  | 10,582                               | -                                            | 10,582                 |
| Salaries and vacation accrual                         |              | 15,245                               | -                                            | 15,245                 | 9,108                                | -                                            | 9,108                  |
| Dividends                                             |              | 12,158                               | -                                            | 12,158                 | 34,359                               | -                                            | 34,359                 |
| Interest on equity capital                            |              | 14,578                               | -                                            | 14,578                 | 17,600                               | -                                            | 17,600                 |
| Employees and management profit sharing               |              | 11,535                               | -                                            | 11,535                 | 15,723                               | -                                            | 15,723                 |
| Deferred taxes                                        | (a)          | 34                                   | (34)                                         | -                      | 298                                  | (298)                                        | -                      |
| Commissions                                           |              | 8,038                                | -                                            | 8,038                  | 6,589                                | -                                            | 6,589                  |
| Related parties                                       |              | 3,818                                | -                                            | 3,818                  | 3,353                                | -                                            | 3,353                  |
| Other accounts                                        | (c)          | 11,384                               | 2,676                                        | 14,060                 | 17,868                               | -                                            | 17,868                 |
|                                                       |              | 230,469                              | 2,642                                        | 233,111                | 297,403                              | (298)                                        | 297,105                |
| <b>Non-current assets</b>                             |              |                                      |                                              |                        |                                      |                                              |                        |
| Loans and financing                                   |              | 337,517                              | -                                            | 337,517                | 192,658                              | -                                            | 192,658                |
| Taxes and contributions                               |              | 2,492                                | -                                            | 2,492                  | 751                                  | -                                            | 751                    |
| Related parties                                       |              | 51,834                               | -                                            | 51,834                 | 33,405                               | -                                            | 33,405                 |
| Deferred taxes                                        | (a, e)       | 2,444                                | 37,904                                       | 40,348                 | 726                                  | 38,542                                       | 39,268                 |
| Provision for disputes                                | (i)          | 5,301                                | 800                                          | 6,101                  | 6,730                                | 1,010                                        | 7,740                  |
| Other accounts                                        | (c)          | 2,084                                | 1,123                                        | 3,207                  | 3,084                                | 1,124                                        | 4,208                  |
|                                                       |              | 401,672                              | 39,827                                       | 441,499                | 237,354                              | 40,676                                       | 278,030                |
| <b>Net equity</b>                                     |              |                                      |                                              |                        |                                      |                                              |                        |
| Capital                                               |              | 406,000                              | -                                            | 406,000                | 400,000                              | -                                            | 400,000                |
| Capital reserve                                       |              | 55                                   | -                                            | 55                     | -                                    | -                                            | -                      |
| Income reserves                                       | (c, d, e, f) | 471,562                              | (7,989)                                      | 463,573                | 378,029                              | (10,296)                                     | 367,733                |
| Revaluation reserve                                   |              | 8,002                                | (8,002)                                      | -                      | 8,047                                | (8,047)                                      | -                      |
| Accumulated translation adjustments                   |              | (870)                                | 870                                          | -                      | 2,839                                | (2,839)                                      | -                      |
| Comprehensive income                                  | (b, d, e, j) | -                                    | 132,065                                      | 132,065                | -                                    | 139,351                                      | 139,351                |
| Total net equity                                      |              | 884,749                              | 116,944                                      | 1,001,693              | 788,915                              | 118,169                                      | 907,084                |
| Total liabilities and net equity                      |              | 1,516,890                            | 159,413                                      | 1,676,303              | 1,323,672                            | 158,547                                      | 1,482,219              |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 4. First-time adoption of CPCs and IFRS (Continued)

#### Reconciliation of accounting practices applied in the preparation of previously reported financial statements (Continued)

##### *Consolidated balance sheet*

|                                  | Note      | 12/31/2009<br>previously<br>reported | Transition<br>adjustments to<br>IFRS/CPC | 12/31/2009<br>adjusted | 01/01/2009<br>previously<br>reported | Transition<br>adjustments to<br>IFRS/CPC |
|----------------------------------|-----------|--------------------------------------|------------------------------------------|------------------------|--------------------------------------|------------------------------------------|
| <b>Assets</b>                    |           |                                      |                                          |                        |                                      |                                          |
| <b>Current assets</b>            |           |                                      |                                          |                        |                                      |                                          |
| Cash and cash equivalents        |           | 616,659                              | -                                        | 616,659                | 316,372                              | -                                        |
| Short-term investments           |           | 68,513                               | -                                        | 68,513                 | 32,222                               | -                                        |
| Derivative financial instruments |           | -                                    | -                                        | -                      | 320                                  | -                                        |
| Trade accounts receivable        |           | 418,509                              | -                                        | 418,509                | 420,675                              | -                                        |
| Inventories                      |           | 327,028                              | -                                        | 327,028                | 376,237                              | -                                        |
| Taxes recoverable                |           | 112,767                              | -                                        | 112,767                | 80,622                               | -                                        |
| Prepaid expenses                 |           | 3,086                                | -                                        | 3,086                  | 2,699                                | -                                        |
| Deferred taxes                   | (a)       | 32,828                               | (32,828)                                 | -                      | 42,456                               | (42,456)                                 |
| Receivables from consortium      |           | 39,280                               | -                                        | 39,280                 | 30,574                               | -                                        |
| Other accounts                   |           | 12,030                               | -                                        | 12,030                 | 13,758                               | -                                        |
|                                  |           | 1,630,700                            | (32,828)                                 | 1,597,872              | 1,315,935                            | (42,456)                                 |
| <b>Non-current assets</b>        |           |                                      |                                          |                        |                                      |                                          |
| <b>Long-term receivables</b>     |           |                                      |                                          |                        |                                      |                                          |
| Consortium quotas                |           | 24,656                               | -                                        | 24,656                 | 25,812                               | -                                        |
| Deferred taxes                   | (a, e)    | 12,265                               | 37,245                                   | 49,510                 | 5,556                                | 46,061                                   |
| Taxes recoverable                |           | 26,532                               | -                                        | 26,532                 | 50,730                               | -                                        |
| Judicial deposits                | (i)       | 8,013                                | 1,648                                    | 9,661                  | 7,389                                | 3,022                                    |
| Biologic assets                  | (m)       | -                                    | 5,625                                    | 5,625                  | -                                    | 5,761                                    |
| Other non-current assets         | (d)       | 16,781                               | 4,292                                    | 21,073                 | 17,873                               | 141                                      |
|                                  |           | 88,247                               | 48,810                                   | 137,057                | 107,360                              | 54,985                                   |
| <b>Investments</b>               |           |                                      |                                          |                        |                                      |                                          |
| Property, plant and equipment    | (b, m, f) | 770,252                              | 261,380                                  | 1,031,632              | 726,574                              | 272,696                                  |
| Intangible assets                |           | 31,297                               | -                                        | 31,297                 | 12,773                               | -                                        |
| Deferred charges                 | (l)       | 12,177                               | (12,177)                                 | -                      | 14,069                               | (14,069)                                 |
|                                  |           | 858,283                              | 249,203                                  | 1,107,486              | 792,469                              | 258,627                                  |
|                                  |           | 2,577,230                            | 265,185                                  | 2,842,415              | 2,215,764                            | 271,156                                  |



## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 4. First-time adoption of CPCs and IFRS (Continued)

#### Reconciliation of accounting practices applied in the preparation of previously reported financial statements (Continued)

##### *Company balance sheet* (Continued)

|                                                       | Note        | 12/31/2009<br>previously<br>reported | Transition<br>adjustments<br>to IFRS/CPC | 12/31/2009<br>adjusted | 01/01/2009<br>previously<br>reported | Transition<br>adjustment<br>s to<br>IFRS/CPC | 01/01/2009<br>adjusted |
|-------------------------------------------------------|-------------|--------------------------------------|------------------------------------------|------------------------|--------------------------------------|----------------------------------------------|------------------------|
| <b>Liabilities</b>                                    |             |                                      |                                          |                        |                                      |                                              |                        |
| <b>Current liabilities</b>                            |             |                                      |                                          |                        |                                      |                                              |                        |
| Trade accounts                                        |             | 146,134                              | -                                        | 146,134                | 71,082                               | -                                            | 71,082                 |
| Loans and financing                                   |             | 166,699                              | -                                        | 166,699                | 225,231                              | -                                            | 225,231                |
| Derivative financial instruments                      |             | 43                                   | -                                        | 43                     | 27,372                               | -                                            | 27,372                 |
| Advances from customers                               |             | 34,377                               | -                                        | 34,377                 | 43,857                               | -                                            | 43,857                 |
| Trade accounts receivable - for goods to be delivered |             | 19,167                               | -                                        | 19,167                 | 20,704                               | -                                            | 20,704                 |
| Taxes and contributions                               |             | 23,144                               | -                                        | 23,144                 | 25,961                               | -                                            | 25,961                 |
| Salaries and vacation accrual                         |             | 44,319                               | -                                        | 44,319                 | 34,884                               | -                                            | 34,884                 |
| Dividends                                             |             | 15,765                               | -                                        | 15,765                 | 46,531                               | -                                            | 46,531                 |
| Interest on equity capital                            |             | 22,359                               | -                                        | 22,359                 | 26,640                               | -                                            | 26,640                 |
| Employees and management profit sharing               |             | 29,151                               | -                                        | 29,151                 | 34,531                               | -                                            | 34,531                 |
| Deferred taxes                                        | (a)         | 277                                  | (277)                                    | -                      | 3,152                                | (3,152)                                      | -                      |
| Income and social contribution taxes                  |             | 1,844                                | -                                        | 1,844                  | 1,826                                | -                                            | 1,826                  |
| Liabilities for consortium funds                      |             | 39,280                               | -                                        | 39,280                 | 30,574                               | -                                            | 30,574                 |
| Commissions                                           |             | 12,275                               | -                                        | 12,275                 | 10,408                               | -                                            | 10,408                 |
| Related parties                                       |             | 5,498                                | -                                        | 5,498                  | 10,920                               | -                                            | 10,920                 |
| Other accounts                                        | (c)         | 26,357                               | 4,184                                    | 30,541                 | 33,710                               | 373                                          | 34,083                 |
|                                                       |             | 586,689                              | 3,907                                    | 590,596                | 647,383                              | (2,779)                                      | 644,604                |
| <b>Non-current assets</b>                             |             |                                      |                                          |                        |                                      |                                              |                        |
| Loans and financing                                   |             | 703,266                              | -                                        | 703,266                | 429,516                              | -                                            | 429,516                |
| Taxes and contributions                               |             | 7,124                                | -                                        | 7,124                  | 11,285                               | -                                            | 11,285                 |
| Related parties                                       |             | 56,599                               | -                                        | 56,599                 | 34,254                               | -                                            | 34,254                 |
| Deferred taxes                                        | (a, e)      | 4,381                                | 93,597                                   | 97,978                 | 738                                  | 100,218                                      | 100,956                |
| Provision for disputes                                | (i)         | 11,100                               | 1,648                                    | 12,748                 | 9,693                                | 3,022                                        | 12,715                 |
| Other accounts                                        |             | 1,751                                | -                                        | 1,751                  | 3,795                                | -                                            | 3,795                  |
|                                                       |             | 784,221                              | 95,245                                   | 879,466                | 489,281                              | 103,240                                      | 592,521                |
| Minority interest                                     | (h)         | 322,181                              | (322,181)                                | -                      | 291,619                              | (291,619)                                    | -                      |
| <b>Shareholders</b>                                   |             |                                      |                                          |                        |                                      |                                              |                        |
| Capital                                               |             | 406,000                              | -                                        | 406,000                | 400,000                              | -                                            | 400,000                |
| Capital reserve                                       |             | 55                                   | -                                        | 55                     | -                                    | -                                            | -                      |
| Income reserve                                        | (c,d,e,f)   | 470,952                              | (7,379)                                  | 463,573                | 376,595                              | (8,862)                                      | 367,733                |
| Revaluation reserve                                   |             | 8,002                                | (8,002)                                  | -                      | 8,047                                | (8,047)                                      | -                      |
| Accumulated translation adjustment                    |             | (870)                                | 870                                      | -                      | 2,839                                | (2,839)                                      | -                      |
| Comprehensive income                                  | (b,d,e,j,l) | -                                    | 132,065                                  | 132,065                | -                                    | 139,351                                      | 139,351                |
| Total equity held by controlling shareholders         |             | 884,139                              | 117,554                                  | 1,001,693              | 787,481                              | 119,603                                      | 907,084                |
| Minority interest                                     |             | -                                    | 370,660                                  | 370,660                | -                                    | 342,711                                      | 342,711                |
| <b>Total net equity</b>                               |             | <b>884,139</b>                       | <b>488,214</b>                           | <b>1,372,353</b>       | <b>787,481</b>                       | <b>462,314</b>                               | <b>1,249,795</b>       |
| Total liabilities and net equity                      |             | <b>2,577,230</b>                     | <b>265,185</b>                           | <b>2,842,415</b>       | <b>2,215,764</b>                     | <b>271,156</b>                               | <b>2,486,920</b>       |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 4. First-time adoption of CPCs and IFRS (Continued)

#### Reconciliation of accounting practices applied in the preparation of previously reported financial statements (Continued)

##### Statements of income – Year ended December 31, 2009

|                                                               | Note        | Company                    |                        |                   | Consolidated               |                        |
|---------------------------------------------------------------|-------------|----------------------------|------------------------|-------------------|----------------------------|------------------------|
|                                                               |             | BRGAAP previously reported | Transition adjustments | CPC/IFRS adjusted | BRGAAP previously reported | Transition adjustments |
| Net operating revenue                                         | (k)         | 994,351                    | 2,374                  | 996,725           | 2,469,544                  | -                      |
| Cost of goods sold and services rendered                      | (c,d,g,k,l) | (813,173)                  | (6,573)                | (819,746)         | (1,891,357)                | (16,494)               |
| Gross profit                                                  |             | 181,178                    | (4,199)                | 176,979           | 578,187                    | (16,494)               |
| Operating income (expenses)                                   |             |                            |                        |                   |                            |                        |
| Selling                                                       |             | (79,484)                   | -                      | (79,484)          | (205,562)                  | -                      |
| Administrative and general                                    |             | (41,585)                   | -                      | (41,585)          | (113,188)                  | -                      |
| Management fees                                               |             | (4,284)                    | -                      | (4,284)           | (9,151)                    | -                      |
| Equity pickup                                                 | (j)         | 93,770                     | (2,691)                | 91,079            | -                          | -                      |
| Financial expenses                                            | (f)         | (71,709)                   | 2,498                  | (69,211)          | (148,106)                  | 3,763                  |
| Financial income                                              |             | 80,471                     | -                      | 80,471            | 184,118                    | -                      |
| Other net revenue (expenses)                                  | (m)         | (4,456)                    | (135)                  | (4,591)           | (6,654)                    | (135)                  |
|                                                               |             | (27,277)                   | (328)                  | (27,605)          | (298,543)                  | 3,628                  |
| Income before income, social contribution taxes and dividends |             |                            |                        |                   |                            |                        |
| Income before income, social contribution taxes and dividends |             | 153,901                    | (4,527)                | 149,374           | 279,644                    | (12,866)               |
| Income and social contribution taxes                          | (e)         | (11,774)                   | 1,559                  | (10,215)          | (63,098)                   | 5,796                  |
| Management profit sharing                                     |             | (4,001)                    | -                      | (4,001)           | (7,970)                    | -                      |
| Net income before minority interest                           |             | 138,126                    | (2,968)                | 135,158           | 208,576                    | (7,070)                |
| Minority interest                                             |             | -                          | -                      | -                 | (69,626)                   | 3,278                  |
| Net income for the year                                       |             | 138,126                    | (2,968)                | 135,158           | 138,950                    | (3,792)                |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 4. First-time adoption of CPCs and IFRS (Continued)

#### Reconciliation of accounting practices applied in the preparation of previously reported financial statements (Continued)

##### *Company net income and net equity*

|                                                    | Note | Company    |            |            |
|----------------------------------------------------|------|------------|------------|------------|
|                                                    |      | Net income |            | Net equity |
|                                                    |      | 12/31/2009 | 12/31/2009 | 1/1/2009   |
| Balances previously reported                       |      | 138,126    | 884,749    | 788,915    |
| Attributed value                                   | (b)  | -          | 103,262    | 103,262    |
| Biologic assets deemed value                       | (m)  | -          | 2,193      | 2,193      |
| Comprehensive income of subsidiaries               | (j)  | (2,690)    | 51,033     | 53,334     |
| Write-off of deferred charges                      | (l)  | 248        | (923)      | (1,171)    |
| Unrealized profit (downstream) on inventories      | (k)  | 1,247      | 198        | (1,049)    |
| Unrealized profit on property, plant and equipment | (k)  | -          | (1,123)    | (1,123)    |
| Depreciation                                       | (g)  | (2,664)    | (2,664)    | -          |
| Biologic assets disposal                           | (m)  | (136)      | (136)      | -          |
| Provision for severance                            | (c)  | (2,676)    | (2,676)    | -          |
| Actuarial valuation                                | (d)  | (354)      | 1,698      | -          |
| Financial expenses                                 | (f)  | 2,498      | 2,498      | -          |
| Deferred taxes                                     | (e)  | 1,559      | (36,416)   | (37,277)   |
| Restated balances                                  |      | 135,158    | 1,001,693  | 907,084    |

|                                               | Note | Consolidated |            |            |
|-----------------------------------------------|------|--------------|------------|------------|
|                                               |      | Net income   |            | Net equity |
|                                               |      | 12/31/2009   | 12/31/2009 | 1/1/2009   |
| Balances previously reported                  |      | 138,950      | 884,139    | 787,481    |
| Attributed value                              | (b)  | -            | 276,265    | 276,265    |
| Biologic assets deemed value                  | (m)  | -            | 2,192      | 2,192      |
| Write-off of deferred charges                 | (l)  | -            | (13,929)   | (13,929)   |
| Depreciation                                  | (g)  | (15,079)     | (15,079)   | -          |
| Biologic assets disposal                      | (m)  | (136)        | (136)      | -          |
| Write-off of amortization of deferred charges | (l)  | 1,815        | 1,815      | -          |
| Provision for severance                       | (c)  | (3,811)      | (4,184)    | (373)      |
| Actuarial valuation                           | (d)  | 580          | 4,227      | -          |
| Financial expenses                            | (f)  | 3,763        | 3,763      | -          |
| Minority interest                             | (h)  | 3,278        | 322,181    | 291,619    |
| Deferred taxes                                | (e)  | 5,798        | (88,901)   | (93,460)   |
| Restated balances                             |      | 135,158      | 1,372,353  | 1,249,795  |

##### *Company cash flows - December 31, 2009*

|                                      | Company              |             |          | Consolidated         |             |           |
|--------------------------------------|----------------------|-------------|----------|----------------------|-------------|-----------|
|                                      | BRGAAP               | Transition  | CPC/IFRS | BRGAAP               | Transition  | CPC/IFRS  |
|                                      | Previously published | adjustments | Adjusted | Previously published | adjustments | Adjusted  |
| Cash flows from operating activities | 49,878               | 3,383       | 53,261   | 248,428              | (176)       | 248,252   |
| Cash flow from investing activities  | (47,821)             | (3,383)     | (51,204) | (123,297)            | 176         | (123,121) |
| Cash flow from financing activities  | 37,857               | -           | 37,857   | 300,287              | -           | 300,287   |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 4. First-time adoption of CPCs and IFRS (Continued)

#### Reconciliation of accounting practices applied in the preparation of previously reported financial statements (Continued)

- (a) Refers to the reclassification of deferred income and social contributions taxes that previously under BRGAAP were presented in current and noncurrent assets in accordance with the expectation of their realization and on adoption of CPCs and IFRS were all reclassified as non-current;
- (b) The Company elected to adopt the measurement of certain property, plant and equipment items at "deemed cost", at January 1, 2009, see Note 4.a for more information;
- (c) Refers to provision for the severance of employees as in accordance with its policies the Company's private pension consists of payment of 1,5 times the nominal salary on the date of retirement.;
- (d) The adoption of Accounting Pronouncement CPC33 – Benefits to Employees, resulted in the recording of actuarial gains on the employees' benefits plan under non-current assets amounting to R\$ 1,698 matched against net equity amounting to R\$ 2,052 and expense in the income statement for the year amounting to R\$ 354- Company and in the amount of R\$ 4,227 in non-current assets, against revenue in equity in the amount of R\$ 3,647 and revenue in income statement for the year amounting to R\$ 580 - Consolidated;
- (e) Refers to deferred income and social contribution taxes on adjustments necessary for the transition to CPCs and IFRS;
- (f) Refers to the reclassification of loans pertaining to the construction of qualifying assets, previously recorded as a financial expense in the statements of income. Through the adoption of accounting pronouncement CPC20 – Financing Costs, the Company recorded R\$ 2,498 Company, and R\$ 3,763 Consolidate, in fixed assets relating to financing costs of qualifying assets matched against net income;
- (g) Refers to calculation of depreciation for 2009 in the amount of R\$ 2,664 Company and R\$ 15,079 Consolidated, on property, plant and equipment amount increment due to the adoption of deemed cost recorded at January 1, 2009;
- (h) Refers to minority interest in which previously, according to accounting practices adopted in Brazil, under Brazilian Accounting Standard (NBC) T 08 the minority interest of subsidiaries should be carried in a separate group of accounts in the consolidated financial statements, immediately above the net equity group of accounts. Through the adoption of CPC 36 (IAS 27), minority interest should be presented under net equity in the consolidated financial statements separate from equity holdings of controlling shareholders. Income should be attributed to controlling shareholders and minority interest even if that minority interest is negative;
- (i) Refers to the reclassification of judicial deposits to non-current assets given that in accordance with CPC 37 and IFRS 1, an entity should not state assets, liabilities, revenues and net income at less than that required or permitted by tax legislation. The understanding of the pronouncement is that in the case of judicial deposits an entity should present assets and liabilities separately given that judicial deposits do not meet the net presentation criteria;

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 4. First-time adoption of CPCs and IFRS (Continued)

#### **Reconciliation of accounting practices applied in the preparation of previously reported financial statements (Continued)**

- (j) *Refers to the effects from CPC adjustments on subsidiaries.*
- (k) *Elimination of unearned income from downstream operations inventories in accordance with CPC 18 investment in Affiliate of Subsidiary.*
- (l) *Until December 31, 2009, in accordance with BRGAAP in force at the time, the Company capitalized pre-operating expenses as deferred charge. Pre-operating expenses that could not be attributed to cost of property, plant and equipment or formation of intangible assets were recorded as expense. As such, the balance of the Company of R\$ 1,171 at January 1, 2009 and R\$ 923 at December 31, 2009, as well as amortization of R\$ 248, and the consolidated balance of R\$ 14,069 at January 1, 2009 and R\$ 12,177 at December 31, 2009, and amortization of R\$ 1,815, recognized in the income statement for 2009, were adjusted in the income statements for the periods;*
- (m) *Refers to reclassification of the reforestation balance (classifiable as biologic asset), which under BRGAAP was presented in permanent assets (property, plant and equipment), and upon adoption of CPC Pronouncements and IFRS started to be recorded in non-current assets. The Company's biologic assets were measured at fair value at January 1, 2009, based on an expert appraisal report.*

### 5. Changes in accounting practices

#### 5.1 New International Financial Reporting Standards (IFRS) and interpretations from the IFRIC (IFRS Interpretations Committee from the International Accounting Standards Board)

Some new accounting pronouncements from the IASB and interpretations from the IFRIC were published and/ or revised and their adoption may be optional or mandatory for the year beginning January 1, 2011. The Company's management does not expect that the adoption of these new pronouncements and interpretations will have a material impact on its financial statements in the initial application period. The Company's evaluation of the impacts of the new procedures and interpretations are as follows:

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 5. Changes in accounting practices (Continued)

#### 5.1 New International Financial Reporting Standards (IFRS) and interpretations from the IFRIC (Continued)

- IAS 24 Disclosure Requirements for State Controlled Entities and Definition of a Related Party (Revised) – The revised version of IAS 24 simplifies disclosure requirements for state-controlled entities and clarifies the definition of a related party. The revised standard covers aspects that under the prior disclosure requirements and the definition of a related party were too complex and difficult to apply in practice, mainly in environments with wide state control, offering partial exemption to state controlled entities and a revised definition of a related party. This change was issued in November 2009, and became effective as from January 1, 2011. This change will not have impact on the Company's financial statements.
- IFRS 9 Financial Instruments – Classification and Measurement - IFRS 9 – Financial Instruments concludes the first part of a project to substitute “IAS 39 Financial Instruments: Recognition and Measurement”. IFRS 9 uses a simple approach to determine if a financial asset is measured at amortized cost or fair value. The new approach is based on the manner in which an entity manages its financial instruments (its business model) and the characteristic contractual cash flow of the financial asset. The standard also requires the adoption of a single method to determine losses in the recoverable value of assets. This standard comes into force for the years beginning January 1, 2013. The Company does not expect this change to have an impact on its financial statements.
- IFRIC 14 Prepayments of a Minimum Funding Requirement – This alteration seeks to correct an involuntary consequence of IFRIC 14. The alteration applies in the limited circumstances in which an entity is subject to minimum financing requirements and makes an early payment of contributions to cover those requirements. The amendment permits such as entity to treat the benefit of such an early payment as an asset. This alteration will enter into force as from January 1, 2011. This alteration will not have an impact on the Company's financial statements.

## **Randon S.A. Implementos e Participações**

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### **5. Changes in accounting practices (Continued)**

#### **5.1 New International Financial Reporting Standards (IFRS) and interpretations from the IFRIC (Continued)**

There are no other standards or interpretations issued that have yet to be adopted that, in the opinion of management will have a significant impact on net income on equity disclosed by the Company.

The following standards both new and revised enter into force in 2010 and/or 2009. Their adoption will not have a significant impact on these financial statements but may have an impact on the accounting of future transactions or contracts:

- IAS 16 (Amendment) – Property, Plant, and Equipment;
- IAS 19 (Amendment) – Benefits to Employees;
- IAS 23 (Amendment) – Financing Costs;
- IAS 32 (Amendment) – Financial Instruments: Presentation;
- IAS 38 (Amendment) – Intangible Assets;
- IAS 39 (Amendment) – Financial Instruments: Recognition and Measurement;
- IFRS 1 (Amendment) – First-time Adoption of International Accounting Standards;
- IFRS 2 Share-based Payments;
- IFRS 3 Business Combinations (Revised);
- IFRS 5 – Non-current Assets Held For Sale and Discontinued Operations;
- IFRS 7 – Financial Instruments: Disclosure;
- IFRIC 12 – Service Concession Arrangements;
- IFRIC 13 – Customer Loyalty Programmes;
- IFRIC 17 – Distribution of Non-cash Assets to Owners;
- IFRIC 18 – Transfer of Assets from Customers;
- IFRIC 19 – Extinguishing Financial Liabilities with Capital Instruments.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 6. Cash and cash equivalents

|                        | Company        |            |          | Consolidated     |            |          |
|------------------------|----------------|------------|----------|------------------|------------|----------|
|                        | BRGAAP         |            |          | IFRS             |            |          |
|                        | 12/31/2010     | 12/31/2009 | 1/1/2009 | 12/31/2010       | 12/31/2009 | 1/1/2009 |
| Cash and banks         | <b>6,533</b>   | 2,361      | 2,879    | <b>23,045</b>    | 29,547     | 19,245   |
| Short-term investments | <b>448,470</b> | 166,645    | 126,213  | <b>1,026,438</b> | 587,112    | 297,127  |
|                        | <b>455,003</b> | 169,006    | 129,092  | <b>1,049,483</b> | 616,659    | 316,372  |

Highly liquid short-term financial investments are readily convertible into a known cash amount and are subject to insignificant risk of change in value.

Short-term investments basically refer to bank deposit certificates and fixed income funds, remunerated at rates from 99% and 104,5% (98% to 105% at December 31, 2009) of the Interbank Deposit Certificate rate (CDI) with daily redemptions.

### 7. Short-term investments

These are investments in Bank Deposit Certificates (CDBs) with first-tier banks, as set out below:

|     | Remuneration  | Company        |            | Consolidated   |            |          |
|-----|---------------|----------------|------------|----------------|------------|----------|
|     |               | BRGAAP         |            | IFRS           |            |          |
|     |               | 12/31/2010     | 12/31/2009 | 12/31/2010     | 12/31/2009 | 1/1/2009 |
| CDB | 100,3% to     |                |            |                |            |          |
| CDB | 105,0% of CDI | <b>205,834</b> | 68,513     | <b>205,834</b> | 68,513     | 32,222   |
| CDB | 100,0% of CDI | -              | -          | <b>18,189</b>  | -          | -        |
|     |               | <b>205,834</b> | 68,513     | <b>224,023</b> | 68,513     | 32,222   |

The above operations mature within 90 to 330 days.



## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 8. Trade accounts receivable

|                                 | Company         |            | Consolidated |                 |            |            |
|---------------------------------|-----------------|------------|--------------|-----------------|------------|------------|
|                                 | 12/31/2010      | 12/31/2009 | 12/31/2010   | 12/31/2009      | BRGAAP     |            |
|                                 | 12/31/2010      | 12/31/2009 | 12/31/2010   | 12/31/2009      | 12/31/2010 | 12/31/2009 |
| Current assets                  |                 |            |              |                 |            |            |
| Domestic                        | <b>304,868</b>  | 232,672    | 154,362      | <b>480,045</b>  | 383,729    | 283,676    |
| Subsidiaries                    | <b>231,808</b>  | 181,809    | 79,884       | <b>480,045</b>  | 383,729    | 283,676    |
| Related parties                 | <b>73,060</b>   | 50,863     | 74,478       | -               | -          | -          |
| Foreign                         |                 |            |              |                 |            |            |
| Subsidiaries                    | <b>35,705</b>   | 19,554     | 103,877      | <b>81,451</b>   | 61,707     | 165,790    |
| Related parties                 | <b>27,225</b>   | 15,537     | 87,641       | <b>81,451</b>   | 61,707     | 165,790    |
| Less:                           | <b>8,480</b>    | 4,017      | 16,236       | -               | -          | -          |
| Current assets                  |                 |            |              |                 |            |            |
| Vendor                          | <b>(8,255)</b>  | (6,309)    | (6,703)      | <b>(8,603)</b>  | (6,309)    | (8,714)    |
| Discounted exchange bills       | -               | -          | -            | <b>(2,127)</b>  | (2,185)    | (3,903)    |
| Adjustment to present value     | <b>(1,827)</b>  | (1,114)    | (1,844)      | <b>(4,182)</b>  | (2,321)    | (3,671)    |
| Allowance for doubtful accounts | <b>(14,407)</b> | (12,414)   | (7,213)      | <b>(17,868)</b> | (16,112)   | (12,503)   |
|                                 | <b>316,084</b>  | 232,389    | 242,479      | <b>528,716</b>  | 418,509    | 420,675    |

At December 31, 2010 and 2009 and January 1, 2009, average day sales outstanding for the domestic sales are 13, 15 and 23 days respectively, and 40, 42 and 45 days, respectively for foreign sales.

Changes in the allowance for doubtful accounts are stated below:

|                                      | Company         |          | Consolidated    |          |
|--------------------------------------|-----------------|----------|-----------------|----------|
|                                      | BRGAAP          |          | IFRS            |          |
|                                      | 2010            | 2009     | 2010            | 2009     |
| Balance at the beginning of the year | <b>(12,414)</b> | (7,213)  | <b>(16,112)</b> | (12,503) |
| Additions                            | <b>(8,051)</b>  | (9,142)  | <b>(9,958)</b>  | (11,600) |
| Recovered/ realized                  | <b>6,058</b>    | 3,941    | <b>8,202</b>    | 7,991    |
| Balance at the end of the year       | <b>(14,407)</b> | (12,414) | <b>(17,868)</b> | (16,112) |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 8. Trade accounts receivable (Continued)

On December 31, the breakdown of the aging list is as follows:

|                | Company        |            |            | Consolidated   |            |            |
|----------------|----------------|------------|------------|----------------|------------|------------|
|                | BRGAAP         |            |            | IFRS           |            |            |
|                | 12/31/2010     | 12/31/2009 | 01/01/2009 | 12/31/2010     | 12/31/2009 | 01/01/2009 |
| Falling due    | <b>237,620</b> | 165,501    | 180,101    | <b>399,051</b> | 300,219    | 297,832    |
| 1 to 30 days   | <b>57,244</b>  | 44,222     | 36,647     | <b>90,429</b>  | 78,119     | 77,298     |
| 31 to 60 days  | <b>22,652</b>  | 21,245     | 18,308     | <b>34,035</b>  | 30,803     | 28,635     |
| 61 to 90 days  | <b>1,818</b>   | 7,097      | 12,348     | <b>7,377</b>   | 11,854     | 18,439     |
| 91 to 180 days | <b>7,561</b>   | 2,641      | 5,703      | <b>13,550</b>  | 7,880      | 16,269     |
| Over 181 days  | <b>13,678</b>  | 11,520     | 5,132      | <b>17,054</b>  | 16,561     | 10,993     |
| Total          | <b>340,573</b> | 252,226    | 258,239    | <b>561,496</b> | 445,436    | 449,466    |

### 9. Inventories

|                                    | Company        |            |            | Consolidated   |            |            |
|------------------------------------|----------------|------------|------------|----------------|------------|------------|
|                                    | BRGAAP         |            |            | IFRS           |            |            |
|                                    | 12/31/2010     | 12/31/2009 | 01/01/2009 | 12/31/2010     | 12/31/2009 | 01/01/2009 |
| Finished goods                     | <b>22,293</b>  | 24,880     | 38,003     | <b>103,115</b> | 82,187     | 118,014    |
| Goods in process                   | <b>47,237</b>  | 43,923     | 19,409     | <b>100,546</b> | 87,102     | 67,421     |
| Raw materials                      | <b>42,796</b>  | 48,723     | 28,557     | <b>140,819</b> | 131,279    | 149,174    |
| Sundry materials                   | <b>14,906</b>  | 17,890     | 11,164     | <b>24,453</b>  | 23,254     | 24,656     |
| Provision for obsolete inventories | <b>(2,124)</b> | (2,330)    | (974)      | <b>(5,308)</b> | (3,832)    | (2,920)    |
| Advances to suppliers              | <b>2,400</b>   | 3,311      | 4,144      | <b>5,837</b>   | 5,018      | 6,415      |
| Provision for obsolete inventories | <b>4,324</b>   | 384        | 6,259      | <b>11,227</b>  | 2,020      | 13,477     |
|                                    | <b>131,832</b> | 136,781    | 106,562    | <b>380,689</b> | 327,028    | 376,237    |

Changes in the provision for obsolete inventories are as follows:

|                                      | Company        |         | Consolidated   |         |
|--------------------------------------|----------------|---------|----------------|---------|
|                                      | BRGAAP         |         | IFRS           |         |
|                                      | 2010           | 2009    | 2010           | 2009    |
| Balance at the beginning of the year | <b>(2,330)</b> | (974)   | <b>(3,832)</b> | (2,920) |
| Additions                            | <b>(516)</b>   | (2,203) | <b>(4,746)</b> | (4,620) |
| Recovered/ realized                  | <b>722</b>     | 847     | <b>3,270</b>   | 3,708   |
| Balance at the end of the year       | <b>(2,124)</b> | (2,330) | <b>(5,308)</b> | (3,832) |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 10. Taxes recoverable

|                                      | Company    |            |            | Consolidated |            |            |
|--------------------------------------|------------|------------|------------|--------------|------------|------------|
|                                      | BRGAAP     |            |            | IFRS         |            |            |
|                                      | 12/31/2010 | 12/31/2009 | 01/01/2009 | 12/31/2010   | 12/31/2009 | 01/01/2009 |
| ICMS                                 | 5,244      | 28,238     | 29,441     | 37,200       | 59,967     | 66,928     |
| IPI                                  | 13,091     | 19,322     | 89         | 16,038       | 22,584     | 3,212      |
| Income and social contribution taxes | 8,685      | 6,755      | 5,428      | 13,717       | 8,764      | 9,251      |
| COFINS                               | 10,932     | 14,145     | 16,416     | 23,348       | 28,845     | 31,336     |
| PIS                                  | 2,387      | 3,167      | 3,581      | 5,075        | 6,342      | 6,892      |
| Other                                | 89         | 57         | 11         | 18,277       | 12,797     | 13,733     |
| Total                                | 40,428     | 71,684     | 54,966     | 113,655      | 139,299    | 131,352    |
| (-)Current                           | 29,950     | 59,032     | 31,595     | 94,444       | 112,767    | 80,622     |
| Non-current                          | 10,478     | 12,652     | 23,371     | 19,211       | 26,532     | 50,730     |

a) State VAT (ICMS)

The balance comprises credits arising from commercial operations and purchase of fixed assets, generated by the Company's production and commercial units.

b) PIS and COFINS

The balance comprises non-cumulative PIS and COFINS tax credits, mainly from purchase of fixed assets, which are offset in monthly and successive installments, as determined by legislation.

c) Federal VAT (IPI)

The balance is substantially composed of amounts stemming from commercial transactions and can be offset with taxes of the same nature.

d) Income and social contribution taxes

These correspond to withholding income tax on financial investments and prepaid income and social contribution taxes realizable through offset against federal taxes and contributions payable.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 11. Transactions with related parties

The balances and transactions of the Company with its subsidiaries and other related parties are as under:

|                                                         | Assets                         |                            |                                      | Liabilities                       |                            |                                    |
|---------------------------------------------------------|--------------------------------|----------------------------|--------------------------------------|-----------------------------------|----------------------------|------------------------------------|
|                                                         | Accounts receivable from sales | Advances from subsidiaries | Intercompany loan receivable (ST+LT) | Accounts payable for acquisitions | Advances from subsidiaries | Intercompany loans payable (ST+LT) |
| <b>Randon Veículos Ltda. (f)</b>                        |                                |                            |                                      |                                   |                            |                                    |
| Balance 01/01/2009                                      | 99                             | -                          | 3,255                                | -                                 | 71                         | -                                  |
| <b>Master Sistemas Automotivos Ltda. (b) and (d)</b>    |                                |                            |                                      |                                   |                            |                                    |
| Balance 12/31/2010                                      | 448                            | -                          | -                                    | -                                 | 8                          | -                                  |
| Balance 12/31/2009                                      | 390                            | -                          | -                                    | 58                                | -                          | -                                  |
| Balance 01/01/2009                                      | 1,268                          | -                          | 565                                  | (11)                              | 15                         | -                                  |
| <b>Jost Brasil Sistemas Automotivos Ltda.(b)</b>        |                                |                            |                                      |                                   |                            |                                    |
| Balance 12/31/2010                                      | 1,728                          | -                          | -                                    | 1                                 | 36                         | -                                  |
| Balance 12/31/2009                                      | 4,063                          | 2                          | -                                    | 126                               | -                          | -                                  |
| Balance 01/01/2009                                      | 4,250                          | -                          | 40                                   | (20)                              | -                          | -                                  |
| <b>Fras-le S.A.(b)</b>                                  |                                |                            |                                      |                                   |                            |                                    |
| Balance 12/31/2010                                      | 1,221                          | -                          | -                                    | 8                                 | 70                         | -                                  |
| Balance 12/31/2009                                      | 123                            | -                          | -                                    | -                                 | -                          | -                                  |
| Balance 01/01/2009                                      | -                              | -                          | 101                                  | -                                 | -                          | -                                  |
| <b>Suspensys Sistemas Automotivos Ltda. (b) and (d)</b> |                                |                            |                                      |                                   |                            |                                    |
| Balance 12/31/2010                                      | 3,502                          | -                          | -                                    | 1,854                             | 980                        | -                                  |
| Balance 12/31/2009                                      | 6,095                          | -                          | -                                    | 1,415                             | 3                          | -                                  |
| Balance 01/01/2009                                      | 8,754                          | -                          | -                                    | (45)                              | 1                          | 26                                 |
| <b>Randon Implementos para o Transporte Ltda.(b)</b>    |                                |                            |                                      |                                   |                            |                                    |
| Balance 12/31/2010                                      | 66,150                         | -                          | 20                                   | 22,933                            | 36                         | -                                  |
| Balance 12/31/2009                                      | 40,134                         | -                          | 15                                   | 7,977                             | 1                          | -                                  |
| Balance 01/01/2009                                      | 60,086                         | -                          | -                                    | 315                               | 84                         | 492                                |
| <b>Castertech Fundação e Tecnologia Ltda.(b)</b>        |                                |                            |                                      |                                   |                            |                                    |
| Balance 12/31/2010                                      | -                              | -                          | -                                    | -                                 | -                          | 12,384                             |
| <b>Randon Argentina S.A.(b)</b>                         |                                |                            |                                      |                                   |                            |                                    |
| Balance 12/31/2010                                      | 8,480                          | -                          | -                                    | -                                 | -                          | -                                  |
| Balance 12/31/2009                                      | 4,018                          | -                          | -                                    | -                                 | -                          | -                                  |
| Balance 01/01/2009                                      | 16,236                         | -                          | -                                    | -                                 | -                          | -                                  |
| <b>Randon Administradora de Consórcios Ltda.(b)</b>     |                                |                            |                                      |                                   |                            |                                    |
| Balance 12/31/2010                                      | 11                             | -                          | -                                    | -                                 | 2                          | -                                  |
| Balance 12/31/2009                                      | 56                             | -                          | -                                    | -                                 | -                          | -                                  |
| Balance 01/01/2009                                      | 7                              | -                          | -                                    | -                                 | -                          | -                                  |
| <b>DRAMD Particip. e Adm. Ltda. (a)</b>                 |                                |                            |                                      |                                   |                            |                                    |
| Balance 12/31/2010                                      | -                              | -                          | -                                    | -                                 | -                          | 44,715                             |
| Balance 12/31/2009                                      | -                              | -                          | -                                    | -                                 | -                          | 44,642                             |
| Balance 01/01/2009                                      | -                              | -                          | -                                    | -                                 | -                          | 27,339                             |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 11. Transactions with related parties --Continued

|                                              | Assets                         |                            |                                | Liabilities                |                              |                            |
|----------------------------------------------|--------------------------------|----------------------------|--------------------------------|----------------------------|------------------------------|----------------------------|
|                                              | Accounts receivable from sales | Advances from subsidiaries | Accounts receivable from sales | Advances from subsidiaries | Accounts ceivable from sales | Advances from subsidiaries |
| <b>Ravimia Corretora de Seguros Ltda.(c)</b> |                                |                            |                                |                            |                              |                            |
| Balance 12/31/2010                           | -                              | -                          | -                              | -                          | -                            | 1,803                      |
| Balance 12/31/2009                           | -                              | -                          | -                              | -                          | -                            | 1,375                      |
| Balance 01/01/2009                           | -                              | -                          | -                              | -                          | -                            | 1,391                      |
| <b>Other related parties (c)</b>             |                                |                            |                                |                            |                              |                            |
| Balance 12/31/2010                           | -                              | -                          | -                              | 60                         | -                            | 13,662                     |
| Balance 12/31/2009                           | 1                              | -                          | -                              | 62                         | -                            | 9,635                      |
| Balance 01/01/2009                           | 14                             | -                          | -                              | 51                         | -                            | 7,510                      |
| <b>Total</b>                                 |                                |                            |                                |                            |                              |                            |
| Balance 12/31/2010                           | 81,540                         | -                          | 20                             | 24,856                     | 1,132                        | 72,564                     |
| Balance 12/31/2009                           | 54,880                         | 2                          | 15                             | 9,638                      | 4                            | 55,652                     |
| Balance 01/01/2009                           | 90,714                         | -                          | 3,961                          | 290                        | 171                          | 36,758                     |

|                                                         | Transactions                |                                |                             | Average term                   |                             |                                |
|---------------------------------------------------------|-----------------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|--------------------------------|
|                                                         | Sales of goods and services | Purchase of goods and services | Sales of goods and services | Purchase of goods and services | Sales of goods and services | Purchase of goods and services |
| <b>Randon Veículos Ltda. (f)</b>                        |                             |                                |                             |                                |                             |                                |
| Balance 12/31/2009                                      | 985                         | -                              | 8                           | 1                              | -                           | -                              |
| Balance 01/01/2009                                      | 6,241                       | -                              | 19                          | 1                              | -                           | -                              |
| <b>Master Sistemas Automotivos Ltda. (b) and (d)</b>    |                             |                                |                             |                                |                             |                                |
| Balance 12/31/2010                                      | 6,197                       | 16,839                         | -                           | -                              | 33                          | 4                              |
| Balance 12/31/2009                                      | 3,923                       | 9,743                          | 24                          | 1                              | 2                           | 2                              |
| Balance 01/01/2009                                      | 5,857                       | 12,574                         | 9                           | 214                            | -                           | -                              |
| <b>Jost Brasil Sistemas Automotivos Ltda. (b)</b>       |                             |                                |                             |                                |                             |                                |
| Balance 12/31/2010                                      | 25,047                      | 38,647                         | -                           | -                              | 31                          | 3                              |
| Balance 12/31/2009                                      | 12,154                      | 32,750                         | -                           | 2                              | 2                           | 2                              |
| Balance 01/01/2009                                      | 2,256                       | 36,272                         | -                           | 271                            | -                           | -                              |
| <b>Fras-le S.A.(b)</b>                                  |                             |                                |                             |                                |                             |                                |
| Balance 12/31/2010                                      | 4,912                       | 359                            | -                           | -                              | 29                          | 16                             |
| Balance 12/31/2009                                      | 4,093                       | 38                             | 2                           | 1                              | 20                          | 4                              |
| Balance 01/01/2009                                      | 4,123                       | 318                            | 4                           | 121                            | -                           | -                              |
| <b>Suspensys Sistemas Automotivos Ltda. (b) and (d)</b> |                             |                                |                             |                                |                             |                                |
| Balance 12/31/2010                                      | 15,442                      | 196,453                        | -                           | -                              | 71                          | 3                              |
| Balance 12/31/2009                                      | 9,183                       | 136,060                        | 7                           | -                              | 2                           | 2                              |
| Balance 01/01/2009                                      | 11,577                      | 168,784                        | 15                          | 237                            | -                           | -                              |
| <b>Randon Implementos para o Transporte Ltda.(b)</b>    |                             |                                |                             |                                |                             |                                |
| Balance 12/31/2010                                      | 228,624                     | 40,420                         | -                           | -                              | 90                          | 48                             |
| Balance 12/31/2009                                      | 120,442                     | 13,258                         | 1                           | 2                              | 90                          | 2                              |
| Balance 01/01/2009                                      | 101,105                     | 16,229                         | 74                          | 5                              | -                           | -                              |
| <b>Castertech Fundação e Tecnologia Ltda.(b)</b>        |                             |                                |                             |                                |                             |                                |
| Balance 12/31/2010                                      | -                           | -                              | 572                         | 695                            | 18                          | 10                             |
| Balance 12/31/12/2009                                   | -                           | -                              | 74                          | -                              | -                           | -                              |
| <b>Randon Argentina S.A.(b)</b>                         |                             |                                |                             |                                |                             |                                |
| Balance 12/31/2010                                      | 16,394                      | -                              | -                           | -                              | 137                         | -                              |
| Balance 12/31/2009                                      | 9,219                       | -                              | -                           | -                              | 60                          | -                              |
| Balance 01/01/2009                                      | 25,958                      | -                              | -                           | -                              | -                           | -                              |
| <b>Randon Administradora de Consórcios Ltda.(b)</b>     |                             |                                |                             |                                |                             |                                |
| Balance 12/31/2010                                      | 929                         | -                              | -                           | -                              | 5                           | -                              |
| Balance 12/31/2009                                      | 1,010                       | -                              | -                           | -                              | 6                           | -                              |
| Balance 01/01/2009                                      | 1,013                       | -                              | -                           | -                              | -                           | -                              |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 11. Transactions with related parties --Continued

|                                              | Transactions                |                                |                  |                    | Average term |         |
|----------------------------------------------|-----------------------------|--------------------------------|------------------|--------------------|--------------|---------|
|                                              | Sales of goods and services | Purchase of goods and services | Financial income | Financial expenses | Receivables  | Payment |
| <b>Randon Middle East.(b)</b>                |                             |                                |                  |                    |              |         |
| Balance 12/31/2010                           | -                           | 163                            | -                | -                  | -            | -       |
| Balance 12/31/2009                           | -                           | 251                            | -                | -                  | -            | -       |
| Balance 01/01/2009                           | -                           | 193                            | -                | -                  | -            | -       |
| <b>Randon Automotive Ltda.(b)</b>            |                             |                                |                  |                    |              |         |
| Balance 12/31/2010                           | -                           | 1,238                          | -                | -                  | -            | -       |
| Balance 12/31/2009                           | -                           | 1,358                          | -                | -                  | -            | -       |
| Balance 01/01/2009                           | -                           | 2,237                          | -                | -                  | -            | -       |
| <b>DRAMD Particip. e Adm. Ltda. (a)</b>      |                             |                                |                  |                    |              |         |
| Balance 12/31/2010                           | -                           | -                              | -                | 4,408              | -            | -       |
| Balance 12/31/2009                           | -                           | -                              | -                | 3,889              | -            | -       |
| Balance 01/01/2009                           | -                           | -                              | -                | 2,710              | -            | -       |
| <b>Ravimia Corretora de Seguros Ltda.(c)</b> |                             |                                |                  |                    |              |         |
| Balance 12/31/2010                           | -                           | -                              | -                | 138                | -            | -       |
| Balance 12/31/2009                           | -                           | -                              | -                | 125                | -            | -       |
| Balance 01/01/2009                           | -                           | -                              | -                | 88                 | -            | -       |
| <b>Fras-le Argentina S.A. (b)</b>            |                             |                                |                  |                    |              |         |
| Balance 12/31/2010                           | 99                          | -                              | -                | -                  | 90           | -       |
| Balance 12/31/2009                           | 30                          | -                              | -                | -                  | 90           | -       |
| Balance 01/01/2009                           | 263                         | -                              | -                | -                  | -            | -       |
| <b>Other related parties (c)</b>             |                             |                                |                  |                    |              |         |
| Balance 12/31/2010                           | 96                          | 143                            | 256              | 993                | -            | -       |
| Balance 12/31/2009                           | 79                          | 172                            | 42               | 878                | -            | -       |
| Balance 01/01/2009                           | 140                         | 110                            | 7                | 936                | -            | -       |
| <b>Total</b>                                 |                             |                                |                  |                    |              |         |
| Balance 12/31/2010                           | 297,740                     | 294,262                        | 828              | 6,234              | -            | -       |
| Balance 12/31/2009                           | 161,118                     | 193,630                        | 158              | 4,899              | -            | -       |
| Balance 01/01/2009                           | 158,533                     | 236,717                        | 128              | 4,583              | -            | -       |

(a) Ultimate parent company;

(b) Subsidiaries controlled directly and indirectly by the Company;

(c) Other related parties – balances of intercompany loan agreements receivable from and payable to directors, managers, board of directors members, among other related parties;

(d) Subsidiaries Master Sistemas Automotivos Ltda. and Suspensys Sistemas Automotivos Ltda. have operations with their respective members, Arvin Meritor do Brasil Sistemas Automotivos Ltda. and other companies of the Arvin Meritor group. In the year ended December 31, 2010, sales operations with Arvin Meritor group companies totaled, at Master Sistemas Automotivos Ltda., R\$ 118,183 (R\$ 38,865 at December 31, 2009) and at Suspensys Sistemas Automotivos Ltda. the amount of R\$ 83,854 (R\$ 13,999 at December 31, 2009). Commercial transactions carried out with these related parties follow specific price and term policies established in the association agreement by and between the parties. The commercial agreement takes into consideration term, volume and specification of products acquired by the related parties, which are not comparable with those for sales to unrelated parties.

(e) In commercial transaction for payment in installments, the Company adopts Interbank Deposit Certificate – CDI interest, which is the same reference rate for commercial transactions with unrelated parties. Commercial transactions for payment on demand do not involve application of interest;

(f) Company organized on June 30, 2009.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 11. Transactions with related parties (Continued)

#### Nature, terms and conditions of transactions with related parties

Sales to related parties refer to sales of products to supply the markets in which they are headquartered, and sales of inputs used in production. Purchases from related parties refer to the supply of inputs used in the Company's production process.

Current account balances related to loan agreements between the Company, subsidiaries and other related parties have undetermined maturity and are restated on a pro-rata tempore basis at the DI-Extra rate issued by Brazil's National Association of Open Market Institutions (ANDIMA) and do not incur interest.

Purchase and sales transactions involving related parties are made at usual market prices. Outstanding balances at the closure of balances do not have guarantees, are not subject to interest and are settled in cash. No guarantees are given or supplied in relation to any accounts receivable or payable involving related parties.

#### Remuneration of key members of management

The Company defined that key personnel corresponds to the members of the board of directors, statutory executive board, advisory board, non-statutory executive board of the Company and the main executives of subsidiaries.

The amount of remuneration of key management members is as follows:

|                                                                                | Company    |            | Consolidated |            |
|--------------------------------------------------------------------------------|------------|------------|--------------|------------|
|                                                                                | BRGAAP     |            | IFRS         |            |
|                                                                                | 12/31/2010 | 12/31/2009 | 12/31/2010   | 12/31/2009 |
| Short-term benefits (salaries, wages, profit sharing and health plan expenses) | 14,368     | 13,180     | 23,764       | 21,792     |
| Post employment benefits – RANDON-PREV contributions                           | 513        | 413        | 934          | 796        |
| Total                                                                          | 14,881     | 13,593     | 24,698       | 22,588     |

The Company did not pay key members of management remuneration in other categories of i) long-term benefits, ii) labor contract termination benefits and iii) share based remuneration.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 12. Private pension plan and post employment benefits

The Company and its subsidiaries are co-sponsors of RANDONPREV – Private Pension Plan, the primary purpose of which is to supplement the assured benefits social security provides to its employees. The supplementary plan is a fully-funded defined contribution retirement plan offered to employees under the capitalization finance regime.

Based on the independent actuary's report, the position of the plan actuarial liabilities at year end is as follows:

|                                             | Company    |            | Consolidated |            |
|---------------------------------------------|------------|------------|--------------|------------|
|                                             | BRGAAP     |            | IFRS         |            |
|                                             | 12/31/2010 | 12/31/2009 | 12/31/2010   | 12/31/2009 |
| Cost of current services                    | 223        | 355        | 607          | 817        |
| Interest                                    | 328        | 906        | 817          | 1,382      |
| Expected return from asset plan             | (679)      | (1,313)    | (1,692)      | (2,015)    |
| Total                                       | (128)      | (52)       | (268)        | 184        |
| (Gain)/loss in present value of liabilities | 226        | (6,054)    | 208          | (7,456)    |
| (Gain)/loss in fair value of assets         | 99         | 4,108      | 890          | 2,810      |
| Variation of limit                          | (371)      | (106)      | (1,011)      | 968        |
| Value immediately recognized                | (46)       | (2,052)    | 87           | (3,678)    |

Actuarial changes recognized in the balance sheet are as follows:

|                                                        | Company    |            | Consolidated |            |
|--------------------------------------------------------|------------|------------|--------------|------------|
|                                                        | BRGAAP     |            | IFRS         |            |
|                                                        | 12/31/2010 | 12/31/2009 | 12/31/2010   | 12/31/2009 |
| Asset at the beginning of the year                     | 1,698      | -          | 4,233        | -          |
| (Expenses)/revenue for the year                        | 128        | 52         | 268          | (184)      |
| Real contributions for the company                     | 324        | 341        | 827          | 739        |
| Others                                                 | -          | (747)      | -            | -          |
| Immediate recognition under other comprehensive income | 46         | 2,052      | (87)         | 3,678      |
| Assets to be recognized at the end of the year         | 2,196      | 1,698      | 5,241        | 4,233      |



## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 12. Private pension and post-employment benefit plan (Continued)

The reconciliation of assets and liabilities recognized in the balance sheet is as follows:

|                                                             | Company        |            | Consolidated |                |            |            |
|-------------------------------------------------------------|----------------|------------|--------------|----------------|------------|------------|
|                                                             | BRGAAP         |            | IFRS         |                |            |            |
|                                                             | 12/31/2010     | 12/31/2009 | 12/31/2010   | 12/31/2009     | 12/31/2010 | 12/31/2009 |
| Present value of liabilities partially or totally covered   | <b>(3,842)</b> | (3,192)    | (10,231)     | <b>(9,165)</b> | (7,955)    | (15,627)   |
| Fair value of assets                                        | <b>6,839</b>   | 6,062      | 11,509       | <b>16,316</b>  | 15,107     | 17,579     |
| Assets to be recognized in the balance before adjustment    | <b>2,997</b>   | 2,870      | 1,278        | <b>7,151</b>   | 7,152      | 1,952      |
| Adjustment                                                  | <b>(801)</b>   | (1,172)    | (1,278)      | <b>(1,910)</b> | (2,919)    | (1,952)    |
| Assets to be recognized in the balance after the adjustment | <b>2,196</b>   | 1,698      | -            | <b>5,241</b>   | 4,233      | -          |

The number of active employees in the RANDONPREV pension plan at December 31, 2010 was 11,240 participants, with 92 individuals receiving the benefit.

The main actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:

|                                        | 2010              | 2009       |
|----------------------------------------|-------------------|------------|
|                                        | %                 | %          |
| Discount rate at December 31           | <b>10.31 p.a.</b> | 10.76 p.a. |
| Expected rate of return on plan assets | <b>12.24 p.a.</b> | 11.22 p.a. |
| Salary increases                       | <b>7.64 p.a.</b>  | 7.12 p.a.  |
| Benefit increases                      | <b>4.50 p.a.</b>  | 4.00 p.a.  |

The fair value of the plan assets was calculated based on observable market parameters at year end or, when applicable, on a forecast of future benefits derived from use of the assets, discounted to present value.

Actuarial liabilities at year end were determined based on the independent actuary's calculations using the projected unit credit method.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 13. Investments

#### Balance breakdown

|                                                     | Company        |                |                | Consolidated  |               |               |
|-----------------------------------------------------|----------------|----------------|----------------|---------------|---------------|---------------|
|                                                     | BRGAAP         |                |                | IFRS          |               |               |
|                                                     | 12/31/2010     | 12/31/2009     | 01/01/2009     | 12/31/2010    | 12/31/2009    | 01/01/2009    |
| Investments in subsidiaries                         | 663,283        | 520,288        | 484,707        | 58,994        | 42,831        | 37,172        |
| Unearned income in inventories                      | (213)          | 198            | (1,050)        | -             | -             | -             |
| Other investment                                    | 1,526          | 1,526          | 1,718          | 2,277         | 3,240         | 3,347         |
| Valuation allowance for investments carried at cost | (883)          | (884)          | (822)          | (1,514)       | (1,514)       | (1,466)       |
|                                                     | <b>663,713</b> | <b>521,128</b> | <b>484,553</b> | <b>59,757</b> | <b>44,557</b> | <b>39,053</b> |

#### Balance activity

Changes in investments are as follows:

|                                       | Company        |                | Consolidated  |               |
|---------------------------------------|----------------|----------------|---------------|---------------|
|                                       | BRGAAP         |                | IFRS          |               |
|                                       | 2010           | 2009           | 2010          | 2009          |
| Balances at the beginning of the year | 521,128        | 484,553        | 44,557        | 39,053        |
| Additions                             | 55,304         | 50,872         | 16,163        | 5,659         |
| Disposals                             | (57,190)       | (106,624)      | (963)         | (155)         |
| Equity pickup                         | 144,881        | 91,079         | -             | -             |
| Unearned income in inventories        | (410)          | 1,248          | -             | -             |
| Balances at the end of the year       | <b>663,713</b> | <b>521,128</b> | <b>59,757</b> | <b>44,557</b> |

## Randon S.A. Implementos e Participações

Notes to financial statements

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 13. Investments (Continued)

Changes in investments with subsidiaries

|                                         | Fras-le S.A. | Suspensys<br>Sistemas<br>Automotivos<br>Ltda. | Master<br>Sistemas<br>Automotivos<br>Ltda. | Jost Brasil<br>Sistemas<br>Automotivos<br>Ltda. | Randon<br>Implementos<br>para o<br>Transporte<br>Ltda. | Randon<br>Administradora<br>de Consórcios<br>Ltda. | Randon<br>Argentina<br>S.A. | Castertech<br>Fundição e<br>Tecnologia Ltda. | Randon<br>Investimentos<br>Ltda. | Randon<br>Middle<br>East | Randon<br>Automotive<br>Ltda. | Fras-le<br>Argentina<br>S.A. | Total    |
|-----------------------------------------|--------------|-----------------------------------------------|--------------------------------------------|-------------------------------------------------|--------------------------------------------------------|----------------------------------------------------|-----------------------------|----------------------------------------------|----------------------------------|--------------------------|-------------------------------|------------------------------|----------|
| Balances at December 31,<br>2009        | 132,485      | 41,101                                        | 106,878                                    | 21,001                                          | 97,926                                                 | 38,712                                             | 2,237                       | 54,438                                       | 25,000                           | 256                      | 54                            | 200                          | 520,288  |
| - Capital increase                      | -            | -                                             | -                                          | -                                               | -                                                      | -                                                  | 5,343                       | 49,945                                       | -                                | -                        | -                             | -                            | 55,288   |
| - Distributed dividends                 | (7,604)      | (20,453)                                      | (16,353)                                   | (9,327)                                         | -                                                      | (2,781)                                            | -                           | -                                            | -                                | -                        | -                             | (58)                         | (56,576) |
| - Accumulated translation<br>adjustment | (329)        | -                                             | -                                          | -                                               | -                                                      | -                                                  | (252)                       | -                                            | -                                | (3)                      | 1                             | (31)                         | (614)    |
| - comprehensive income                  | 98           | 14                                            | 31                                         | 7                                               | (135)                                                  | -                                                  | -                           | 1                                            | -                                | -                        | -                             | -                            | 16       |
| - Equity pickup                         | 21,992       | 30,675                                        | 44,172                                     | 14,054                                          | 43,036                                                 | 9,735                                              | 94                          | (18,022)                                     | (1,020)                          | (70)                     | 24                            | 211                          | 144,881  |
| Balances at December 31,<br>2010        | 146,642      | 51,337                                        | 134,728                                    | 25,735                                          | 140,827                                                | 45,666                                             | 7,422                       | 86,362                                       | 23,980                           | 183                      | 79                            | 322                          | 663,283  |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 13. Investments – (Continued)

#### Information on investees

|                                                                                                   | Fras-le S.A.<br>(*) | Suspensys<br>Sistemas<br>Automotivos<br>Ltda. (*) | Master<br>Sistemas<br>Automotivos<br>Ltda. (*) | Jost Brasil<br>Sistemas<br>Automotivos<br>Ltda. (*) | Randon<br>Implementos<br>para o<br>Transporte<br>Ltda. | Randon<br>Administra<br>dora de<br>Consórcios<br>Ltda. | Randon<br>Argentina<br>S.A. | Castertech<br>Fundição e<br>Tecnologia<br>Ltda. (*) | Randon<br>Investime<br>ntos<br>Ltda. | Randon<br>Middle<br>East | Randon<br>Automo<br>tive<br>Ltda. | Fras-le<br>Argentina<br>S.A. | Controladora |         |
|---------------------------------------------------------------------------------------------------|---------------------|---------------------------------------------------|------------------------------------------------|-----------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|-----------------------------|-----------------------------------------------------|--------------------------------------|--------------------------|-----------------------------------|------------------------------|--------------|---------|
|                                                                                                   |                     |                                                   |                                                |                                                     |                                                        |                                                        |                             |                                                     |                                      |                          |                                   |                              | 2010         | 2009    |
| Capital                                                                                           | 170,000             | 71,291                                            | 105,000                                        | 5,690                                               | 54,100                                                 | 25,000                                                 | 2,593                       | 120,000                                             | 25,000                               | 70                       | 49                                | 649                          |              |         |
| Number of shares or units<br>of interest<br>or units of interest of<br>investee<br>(in thousands) |                     |                                                   |                                                |                                                     |                                                        |                                                        |                             |                                                     |                                      |                          |                                   |                              |              |         |
| - Common                                                                                          | 66,174              | -                                                 | -                                              | -                                                   | -                                                      | -                                                      | 4,884                       | -                                                   | -                                    | -                        | -                                 | 1,547                        |              |         |
| - Preferred                                                                                       | 36,207              | -                                                 | -                                              | -                                                   | -                                                      | -                                                      | -                           | -                                                   | -                                    | -                        | -                                 | -                            |              |         |
| - Units of interest                                                                               | -                   | 100,000                                           | 105,000                                        | 5,690                                               | 54,100                                                 | 25,000                                                 | -                           | 120,000                                             | 25,100                               | -                        | 210                               | -                            |              |         |
| <i>Ownership interest, at year<br/>end - %</i>                                                    | 45,22               | 22,88                                             | 51,00                                          | 51,00                                               | 99,99                                                  | 99,57                                                  | 99,99                       | 99,99                                               | 99,99                                | 100,00                   | 100,00                            | 6,00                         |              |         |
| <i>Adjusted net equity</i>                                                                        | 324,734             | 225,665                                           | 264,550                                        | 51,289                                              | 140,841                                                | 45,864                                                 | 7,422                       | 86,385                                              | 23,980                               | 183                      | 79                                | 5,365                        |              |         |
| <i>Net income (loss) in the<br/>period</i>                                                        | 48,357              | 93,218                                            | 86,713                                         | 27,172                                              | 43,023                                                 | 9,777                                                  | 382                         | (18,009)                                            | (1,020)                              | 34                       | 26                                | 3,502                        |              |         |
| <i>Cumulative transition<br/>adjustments</i>                                                      | (329)               | -                                                 | -                                              | -                                                   | -                                                      | -                                                      | (252)                       | -                                                   | -                                    | (3)                      | 1                                 | (31)                         | (614)        | (3,709) |
| <i>Equity pickup</i>                                                                              | 21,992              | 30,675                                            | 44,172                                         | 14,054                                              | 43,036                                                 | 9,735                                                  | 94                          | (18,022)                                            | (1,020)                              | (70)                     | 24                                | 211                          | 144,881      | 91,079  |
| <i>Investment value</i>                                                                           | 146,642             | 51,337                                            | 134,728                                        | 25,735                                              | 140,827                                                | 45,666                                                 | 7,422                       | 86,362                                              | 23,980                               | 183                      | 79                                | 322                          | 663,283      | 520,288 |

(\*) Excludes unrealized income in inventories: Frás-le S.A. (R\$ 212), Suspensys Sistemas Automotivos Ltda. (R\$ 297), Master Sistemas Automotivos Ltda. (R\$ 193), Jost Brasil Sistemas Automotivos Ltda. (R\$ 423) and Castertech Fundição e Tecnologia Ltda. (R\$ 14).

#### Interest on equity capital and dividends received

Up to December 31, 2010, the Company received interest on equity capital from subsidiaries amounting to R\$ 17,791 (R\$ 16,407 in 2009). The Company received dividends from subsidiaries amounting to R\$ 38,785 in the year ended December 31, 2010 (R\$ 42,081 in 2009).

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)  
 December 31, 2010 and 2009  
 (In thousands of reais, except when otherwise indicated)

### 14. Property, plant and equipment

#### Company

| <b>Cost of PP&amp;E (gross)</b> | <b>Land and buildings</b> | <b>Machinery, equipment and moulds</b> | <b>Furniture and fixtures</b> | <b>IT equipment</b> | <b>Vehicles</b> | <b>Construction in progress</b> | <b>Imports in transit and advances to suppliers</b> | <b>Total</b>   |
|---------------------------------|---------------------------|----------------------------------------|-------------------------------|---------------------|-----------------|---------------------------------|-----------------------------------------------------|----------------|
| Balance at 1/1/2009             | 189,594                   | 159,775                                | 6,326                         | 5,657               | 13,005          | 91,642                          | 3,879                                               | 469,878        |
| Acquisitions                    | 3,532                     | 11,190                                 | 293                           | 1,087               | 1,259           | 14,093                          | 1,912                                               | 33,366         |
| Disposals                       | (1,031)                   | (670)                                  | (66)                          | (7)                 | (852)           | (245)                           | -                                                   | (2,871)        |
| Others                          | 63,972                    | 20,997                                 | 11                            | 116                 | 89              | (82,346)                        | (3,281)                                             | (442)          |
| Merger                          | 1,685                     | 1,661                                  | 291                           | 461                 | 81              |                                 |                                                     | 4,179          |
| Balance at 12/31/2009           | 257,752                   | 192,953                                | 6,855                         | 7,314               | 13,582          | 23,144                          | 2,510                                               | 504,110        |
| Acquisitions                    | 11,456                    | 16,681                                 | 1,210                         | 1,361               | 1,650           | 29,736                          | 5,461                                               | 67,555         |
| Disposals                       | (914)                     | (204)                                  | (19)                          | (206)               | (1,105)         | (8)                             | (997)                                               | (3,453)        |
| Others                          | -                         | 6,641                                  | -                             | -                   | 91              | (1,033)                         | (5,699)                                             | -              |
| <b>Balance 12/31/2010</b>       | <b>268,294</b>            | <b>216,071</b>                         | <b>8,046</b>                  | <b>8,469</b>        | <b>14,218</b>   | <b>51,839</b>                   | <b>1,275</b>                                        | <b>568,212</b> |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 14. Property, plant and equipment (Continued)

Company (continued)--Continuação

|                                    | Land and<br>buildings | Machinery,<br>equipment<br>and moulds | Furniture<br>and fixtures | IT equipment   | Vehicles       | Construction<br>in progress | Imports in<br>transit<br>and advances to<br>suppliers | Total            |
|------------------------------------|-----------------------|---------------------------------------|---------------------------|----------------|----------------|-----------------------------|-------------------------------------------------------|------------------|
| <b>Depreciation and impairment</b> |                       |                                       |                           |                |                |                             |                                                       |                  |
| Balances at 1/1/2009               | (25,737)              | (44,653)                              | (3,454)                   | (4,025)        | (7,454)        | -                           | -                                                     | (85,323)         |
| Depreciation                       | (3,449)               | (14,541)                              | (426)                     | (559)          | (792)          | -                           | -                                                     | (19,767)         |
| Disposals                          | 271                   | 361                                   | 62                        | 7              | 342            | -                           | -                                                     | 1,043            |
| Merger                             | (711)                 | (1,036)                               | (164)                     | (360)          | (82)           | -                           | -                                                     | (2,353)          |
| Balances at 12/31/2009             | (29,626)              | (59,869)                              | (3,982)                   | (4,937)        | (7,986)        | -                           | -                                                     | (106,400)        |
| Depreciation                       | (4,197)               | (16,960)                              | (466)                     | (926)          | (892)          | -                           | -                                                     | (23,441)         |
| Disposals                          | 36                    | 238                                   | 23                        | 107            | 548            | -                           | -                                                     | 952              |
| <b>Balance at 12/31/2010</b>       | <b>(33,787)</b>       | <b>(76,591)</b>                       | <b>(4,425)</b>            | <b>(5,756)</b> | <b>(8,330)</b> | -                           | -                                                     | <b>(128,889)</b> |
| <b>Net book value</b>              |                       |                                       |                           |                |                |                             |                                                       |                  |
| Balances at 1/1/2009               | 163,857               | 115,122                               | 2,872                     | 1,632          | 5,551          | 91,642                      | 3,879                                                 | 384,555          |
| Balances at 12/31/2009             | 228,126               | 133,084                               | 2,873                     | 2,377          | 5,596          | 23,144                      | 2,510                                                 | 397,710          |
| <b>Balances at 12/31/2010</b>      | <b>234,507</b>        | <b>139,480</b>                        | <b>3,621</b>              | <b>2,713</b>   | <b>5,888</b>   | <b>51,839</b>               | <b>1,275</b>                                          | <b>439,323</b>   |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 14. Property, plant and equipment (Continued)

Consolidated

| <b>Cost of PP&amp;E gross</b>           | <b>Land and buildings</b> | <b>Machinery, equipment and moulds</b> | <b>Furniture and fixtures</b> | <b>IT equipment</b> | <b>Vehicles</b> | <b>Construction in progress</b> | <b>Imports in transit and advances to suppliers</b> | <b>Total</b>     |
|-----------------------------------------|---------------------------|----------------------------------------|-------------------------------|---------------------|-----------------|---------------------------------|-----------------------------------------------------|------------------|
| Balances at 1/1/2009                    | 397,466                   | 721,105                                | 24,235                        | 17,903              | 20,130          | 214,521                         | 15,226                                              | 1,410,586        |
| Acquisitions, net of exchange variation | 7,794                     | 32,802                                 | 1,143                         | 1,116               | 1,868           | 49,787                          | 5,307                                               | 99,817           |
| Disposals                               | (1,046)                   | (1,956)                                | (202)                         | (303)               | (1,325)         | (263)                           | (7)                                                 | (5,102)          |
| Transfers                               | 124,154                   | 94,711                                 | 268                           | 313                 | 304             | (203,243)                       | (16,970)                                            | (463)            |
| Balances at 12/31/2009                  | 528,368                   | 846,662                                | 25,444                        | 19,029              | 20,977          | 60,802                          | 3,556                                               | 1,504,838        |
| Acquisitions, net of exchange variation | 14,915                    | 46,960                                 | 6,123                         | 3,014               | 2,736           | 57,454                          | 10,635                                              | 141,837          |
| Disposals                               | (559)                     | (3,980)                                | (299)                         | (658)               | (1,969)         | (8)                             | (1,015)                                             | (8,488)          |
| Transfers                               | 24,556                    | 20,093                                 | 227                           | 72                  | (140)           | (38,704)                        | (5,936)                                             | 168              |
| <b>Balances at 12/31/2010</b>           | <b>567,280</b>            | <b>909,735</b>                         | <b>31,495</b>                 | <b>21,457</b>       | <b>21,604</b>   | <b>79,544</b>                   | <b>7,240</b>                                        | <b>1,638,355</b> |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 14. Property, plant and equipment (Continued)

Consolidated (continued)

|                                    | Land and<br>buildings | Machinery,<br>equipment<br>and moulds | Furniture<br>and fixtures | IT equipment    | Vehicles        | Construction<br>in progress | Imports in<br>transit and<br>advances to<br>suppliers | Total            |
|------------------------------------|-----------------------|---------------------------------------|---------------------------|-----------------|-----------------|-----------------------------|-------------------------------------------------------|------------------|
| <b>Depreciation and impairment</b> |                       |                                       |                           |                 |                 |                             |                                                       |                  |
| Balances at 1/1/2009               | (50,965)              | (323,625)                             | (12,845)                  | (12,454)        | (11,427)        | -                           | -                                                     | (411,316)        |
| Depreciation                       | (6,595)               | (54,461)                              | (1,727)                   | (1,890)         | (1,322)         | -                           | -                                                     | (65,995)         |
| Disposals                          | 273                   | 1,437                                 | 128                       | 234             | 536             | -                           | -                                                     | 2,608            |
| Foreign exchange variation         | 482                   | 581                                   | 82                        | 205             | 147             | -                           | -                                                     | 1,497            |
| Balance at 12/31/2009              | (56,805)              | (376,068)                             | (14,362)                  | (13,905)        | (12,066)        | -                           | -                                                     | (473,206)        |
| Depreciation                       | (9,985)               | (60,521)                              | (1,965)                   | (2,277)         | (1,452)         | -                           | -                                                     | (76,200)         |
| Disposals                          | 9                     | 2,461                                 | 239                       | 525             | 1,148           | -                           | -                                                     | 4,382            |
| Foreign exchange variation         | -                     | -                                     | (109)                     | -               | 109             | -                           | -                                                     | -                |
| <b>Balances at 12/31/2010</b>      | <b>83</b>             | <b>633</b>                            | <b>(413)</b>              | <b>26</b>       | <b>(11)</b>     | <b>-</b>                    | <b>-</b>                                              | <b>318</b>       |
| <b>Depreciation and impairment</b> | <b>(66,698)</b>       | <b>(433,495)</b>                      | <b>(16,610)</b>           | <b>(15,631)</b> | <b>(12,272)</b> | <b>-</b>                    | <b>-</b>                                              | <b>(544,706)</b> |
| <b>Net book value</b>              |                       |                                       |                           |                 |                 |                             |                                                       |                  |
| Balances at 1/1/2009               | 346,501               | 397,480                               | 11,390                    | 5,449           | 8,703           | 214,521                     | 15,226                                                | 999,270          |
| Balances at 12/31/2009             | 471,563               | 470,594                               | 11,082                    | 5,124           | 8,911           | 60,802                      | 3,556                                                 | 1,031,632        |
| <b>Balances at 12/31/2010</b>      | <b>500,582</b>        | <b>476,240</b>                        | <b>14,885</b>             | <b>5,826</b>    | <b>9,332</b>    | <b>79,544</b>               | <b>7,240</b>                                          | <b>1,093,649</b> |



## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 14. Property, plant and equipment (Continued)

#### Capitalized financing costs

Construction in progress Consolidated is substantially represented by expansion and improvement projects in industrial units as follows, which are projected to be concluded in 2011.

|                                                                | BRGAAP        |               | IFRS          |               |
|----------------------------------------------------------------|---------------|---------------|---------------|---------------|
|                                                                | 2010          | 2009          | 2010          | 2009          |
| Construction and improvements to property, plant and equipment | 45,716        | 19,576        | 57,839        | 52,192        |
| Manufacture and installation of machinery and equipment        | 2,972         | 1,737         | 14,673        | 5,658         |
| Manufacture of tools                                           | 3,151         | 1,831         | 7,032         | 2,952         |
|                                                                | <b>51,839</b> | <b>23,144</b> | <b>79,544</b> | <b>60,802</b> |

Capitalized financing costs during the year ended at December 31, 2010 is R\$ 1,366 (2009: R\$ 2,499), Company and R\$ 1,967 (2009: R\$ 4,193) Consolidated. The rate utilized to determine the financing costs of capitalization was 0.52% which represents the effective rate of the specific loans.

#### Finance lease and assets under construction

The book value of property, plant and equipment held under finance lease at December 31, 2010 was of R\$ 3,794 (2009: R\$ 4,324, at January 1, 2009: R\$ 5,084). There were no additions to property, plant and equipment in the year of items under finance lease.

Land and buildings with carrying amount of R\$ 78,546 (2009: R\$ 158,109, at January 1, 2009: R\$ 273,818) are subject to first mortgage, guaranteeing two bank loans of the Company (Note 17).

Assets under construction will be recorded as "land and buildings" upon construction completion.

During the year ended December 31, 2010, the Company did not identify any indication of impairment for property, plant and equipments.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 15. Intangible assets

#### Company

| <b>Cost or valuation</b>           | <b>Trademarks<br/>and patents</b> | <b>Intangible<br/>in progress</b> | <b>Software and<br/>licenses</b> | <b>Total</b>   |
|------------------------------------|-----------------------------------|-----------------------------------|----------------------------------|----------------|
| Balances at 1/1/2009               | 202                               | -                                 | 9,638                            | 9,840          |
| Acquisitions                       | -                                 | 8,200                             | 1,258                            | 9,458          |
| Disposals                          | -                                 | -                                 | (18)                             | (18)           |
| Transfer                           | -                                 | -                                 | 442                              | 442            |
| Merger                             | -                                 | -                                 | 700                              | 700            |
| <b>Balance at 12/31/2009</b>       | <b>202</b>                        | <b>8,200</b>                      | <b>12,020</b>                    | <b>20,422</b>  |
| Acquisitions                       | -                                 | 18,245                            | 1,495                            | 19,740         |
| Disposals                          | -                                 | (4,432)                           | -                                | (4,432)        |
| Transfers                          | -                                 | -                                 | -                                | -              |
| <b>Balances 12/31/2010</b>         | <b>202</b>                        | <b>22,013</b>                     | <b>13,515</b>                    | <b>35,730</b>  |
| <b>Depreciation and impairment</b> |                                   |                                   |                                  |                |
|                                    | -                                 | -                                 | (5,113)                          | (5,113)        |
| Balances at 1/1/2009               | -                                 | -                                 | (1,769)                          | (1,769)        |
| Amortization                       | -                                 | -                                 | 4                                | 4              |
| Merger                             | -                                 | -                                 | (459)                            | (459)          |
| <b>Balances at 12/31/2009</b>      | <b>-</b>                          | <b>-</b>                          | <b>(7,337)</b>                   | <b>(7,337)</b> |
| Amortization                       | -                                 | -                                 | (2,122)                          | (2,122)        |
| Disposals                          | -                                 | -                                 | -                                | -              |
| Foreign exchange variation         | -                                 | -                                 | (9,459)                          | (9,459)        |
| <b>Net book value</b>              |                                   |                                   |                                  |                |
| Balances at 1/1/2009               | 202                               | -                                 | 4,525                            | 4,727          |
| Balances at 12/31/2009             | 202                               | 8,200                             | 4,683                            | 13,085         |
| <b>Balance at 12/31/2010</b>       | <b>202</b>                        | <b>22,013</b>                     | <b>4,056</b>                     | <b>26,271</b>  |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 15. Intangible assets (Continued)

#### Consolidated

| <b>Cost or valuation</b>           | <b>Trademarks<br/>and patents</b> | <b>Intangible<br/>in progress</b> | <b>Software e<br/>licenses</b> | <b>Total</b>   | <b>Trademarks<br/>and patents</b> |
|------------------------------------|-----------------------------------|-----------------------------------|--------------------------------|----------------|-----------------------------------|
| Balances at 1/1/2009               | 220                               | -                                 | 26,702                         | -              | 26,922                            |
| Acquisitions                       | 3                                 | 8,290                             | 3,279                          | 11,395         | 22,967                            |
| Disposals                          | -                                 | -                                 | (485)                          | -              | (485)                             |
| Transfer                           | -                                 | -                                 | 463                            | -              | 463                               |
| Foreign exchange variation         | -                                 | -                                 | (126)                          | -              | (126)                             |
| <b>Balance at 12/31/2009</b>       | <b>223</b>                        | <b>8,290</b>                      | <b>29,833</b>                  | <b>11,395</b>  | <b>49,741</b>                     |
| Acquisitions                       | -                                 | 38,875                            | 4,177                          | 1,146          | 44,198                            |
| Disposals                          | -                                 | (4,432)                           | (983)                          | -              | (5,415)                           |
| Transfers                          | -                                 | 20                                | (474)                          | 279            | (175)                             |
| Foreign exchange                   | -                                 | -                                 | (30)                           | -              | (30)                              |
| <b>Balances 12/31/2010</b>         | <b>223</b>                        | <b>42,753</b>                     | <b>32,523</b>                  | <b>12,820</b>  | <b>88,319</b>                     |
| <b>Depreciation and impairment</b> |                                   |                                   |                                |                |                                   |
|                                    | -                                 | -                                 | (14,149)                       | -              | (14,149)                          |
| Balances at 1/1/2009               | -                                 | -                                 | (4,410)                        | -              | (4,410)                           |
| Amortization                       | -                                 | -                                 | 15                             | -              | 15                                |
| Disposals                          | -                                 | -                                 | 100                            | -              | 100                               |
| Foreign exchange variation         | -                                 | -                                 | (18,444)                       | -              | (18,444)                          |
| <b>Balances at 12/31/2009</b>      | <b>-</b>                          | <b>-</b>                          | <b>(4,673)</b>                 | <b>(1,231)</b> | <b>(5,904)</b>                    |
| Amortization                       | -                                 | -                                 | 1,063                          | -              | 1,063                             |
| Disposals                          | -                                 | -                                 | 25                             | -              | 25                                |
| Foreign exchange variation         | -                                 | -                                 | (22,029)                       | (1,231)        | (23,260)                          |
| <b>Net book value</b>              |                                   |                                   |                                |                |                                   |
| Balance at 1/1/2009                | 220                               | -                                 | 12,553                         | -              | 12,773                            |
| Balance at 12/31/2009              | 223                               | 8,290                             | 11,389                         | 11,395         | 31,297                            |
| <b>Balance at 12/31/2010</b>       | <b>223</b>                        | <b>42,753</b>                     | <b>10,494</b>                  | <b>11,589</b>  | <b>65,059</b>                     |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 15. Intangible assets (Continued)

The main intangible assets refer to software rights and licenses acquired from third parties, who are amortized over their estimated useful life of 5 years and substation energy use rights which are amortized over 10 years.

Substation energy use rights in consolidated financial statements represent the costs relating to the implementation of a connection point (electrical energy substation), constructed by the direct subsidiary, Castertech Fundação e Tecnologia Ltda. based on an agreement signed with CEEE-GT on November 29, 2009, resulting from the economic benefit from better operational performance of its industrial activities in the use of electrical energy. The asset is being amortized according to the recoverability of the investment estimated at 10 years.

Intangible assets under construction refer to software licenses, with beginning of operation forecast for 2012.

During the year ended December 31, 2010, the Company did not identify any indication of impairment for its intangible assets.

### 16. Provision for disputes

The Company is party in various judicial and administrative proceedings filed with several courts and government bodies that have arisen in the normal course of operations, involving tax, labor and civil issues, among other matters. The estimated loss has been provisioned for in noncurrent liabilities based on the opinion of the Company's legal counsel, for cases involving probable loss.

The chart below sets out the contingent risks (losses) at December 31, 2010, based on the opinion of the Company's legal advisors:

Company:

| Contingent liabilities | 2010         |               |               | 2009         |               |               | Judicial dep<br>2010 |
|------------------------|--------------|---------------|---------------|--------------|---------------|---------------|----------------------|
|                        | Probable     | Possible      | Remote        | Probable     | Possible      | Remote        |                      |
| a) civil               | 847          | 390           | 327           | 639          | 3,146         | 684           | 5                    |
| b) tax                 | -            | 18,022        | 34,694        | -            | 12,953        | 38,275        | 285                  |
| c) labor               | 3,352        | 1,808         | 214           | 2,546        | 1,578         | 909           | 218                  |
| d) social security     | 2,401        | -             | -             | 2,916        | 3,589         | -             | 931                  |
| <b>Total:</b>          | <b>6,600</b> | <b>20,220</b> | <b>35,235</b> | <b>6,101</b> | <b>21,266</b> | <b>39,868</b> | <b>1,439</b>         |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 16. Provision for disputes (Continued)

Consolidated:

| Contingent liabilities | 2010          |               |                | 2009          |               |                |
|------------------------|---------------|---------------|----------------|---------------|---------------|----------------|
|                        | Probable      | Possible      | Remote         | Probable      | Possible      | Remote         |
| a) civil               | 1,911         | 1,972         | 2,497          | 874           | 6,965         | 2,800          |
| b) tax                 | 5,131         | 50,206        | 194,869        | 4,870         | 27,423        | 204,772        |
| c) labor               | 3,685         | 8,452         | 1,291          | 3,376         | 7,894         | 2,104          |
| d) social security     | 3,526         | 9,165         |                | 3,628         | 6,881         | 221            |
| <b>Subtotal:</b>       | <b>14,253</b> | <b>69,795</b> | <b>198,657</b> | <b>12,748</b> | <b>49,163</b> | <b>209,897</b> |

Civil – These refer to collection suits discussing the obligation of paying Union dues based on Brazilian Consolidated Labor article 578, one of such suits is against the Company and the others are against subsidiaries that were merged.

Tax – represented by federal tax delinquency notices pending judgment by administrative and judicial authorities.

The Company and its subsidiaries is party to ongoing administrative proceedings which are assessed as probable or remote losses based on the opinion of its legal counsel accordingly under Brazilian accounting practices no provision for contingencies has been recorded. Pleas were filed contesting the constitutionality of the tax assessments. The main proceedings involving possible or remote unfavorable outcome are as follows:

- a) COFINS – The Company received a tax delinquency notice from Brazilian IRS in the updated amount of R\$ 8,503 due to COFINS and FINSOCIAL offset. The tax credits have already been offset and the Company is claiming in court recognition of such offset. The voluntary appeal filed by the Company is pending judgment.
- b) Offset of IRPJ and CSLL tax losses – The Company received a tax delinquency notice from Brazilian IRS in the updated amount of R\$ 11,776 related to dismissal of the tax return presenting offset of estimated IRPJ and CSLL liabilities using IRPJ and CSLL tax losses, referring to the period in which merger and partial spin-off operations were carried out. The case is pending judgement of the appeal requesting clarification of decision filed by the Company.
- c) Exclusion of ICMS from Pis/Finsocial calculation base – The Company received a tax delinquency notice from Brazilian IRS in the updated amount of R\$ 16,177, tax offset that was carried out by the Company but not approved by the tax authorities, using tax credits claimed in court. The case is pending judgment by the Higher Board of Tax Appeals of the appeal filed by the Company requesting clarification of decision.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 16. Provision for disputes (Continued)

- d) IRPJ and CSLL – The Company received a tax delinquency notice from Brazilian IRS in the amount of R\$ 5,935, related to supposed IR and CSLL debts arising from tax benefit related to interest on equity capital paid to shareholders, in excess of the legal limit for 2007. The excess portion refers to interest on equity capital recognized in 2007, related to 2003. Pending judgment of the appeal to the Board of Tax Appeals.
- e) IRPJ – The Company received a tax delinquency notice from Brazilian IRS in the updated amount of R\$ 3,839, referring to collection of debt due to non-approval by the relevant authorities of offset of tax credits calculated on IRPJ tax losses for 2004 against IRPJ liabilities on an estimate basis for February 2005. The case is pending judgment of the opposition filed by the Company.
- f) IPI – The Company received a tax delinquency notice from Brazilian IRS in the updated amount of R\$ 3,520, referring to non-approval by the relevant tax authorities of offset of federal tax liabilities using tax credits purchased from third parties. The case is pending judgment of the opposition filed by the Company.
- g) Income and Social Contribution Tax Credits on Net Income – Subsidiary Fras-le S.A. was served a tax delinquency notice amounting to R\$ 9,877, by Brazil's IRS for its alleged failure to add gross revenue from Federal VAT (IPI) export tax credits to net income.
- h) Income Tax, Social Contribution Tax and Withholding Income Tax – Subsidiary Fras-le S.A. was served a tax delinquency notice at the restated amount of R\$ 123,279 and subsidiary Master Sistemas Automotivos Ltda. in the updated amount of R\$ 4,195, relating to regular payments made to its foreign agents, as sale and service commissions. The proceedings are pending judgment at the administrative level.
- i) Income and social contribution taxes – Subsidiary Fras-le S.A. rectified the income tax returns for 1995 and 1996 for considering third party debts assumed on acquisition of controlling interest by its parent company Randon S.A. Implementos e Participações and a portion of expenses with external advisory services. Brazil's IRS disallowed the tax treatment and adjusted taxable income based on accounting records and the social contribution tax. The amount of the proceedings is R\$ 6,651. The proceedings are pending judgment at the administrative level.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 16. Provision for disputes (Continued)

- j) IPI, PIS, COFINS –Subsidiary Fras-le S.A. rectified the income tax returns for 1995 and 1996 as it had considered third party debts in the acquisition of the controlling shareholder by Randon S.A. Implementos e Participações as deductible. The Company filed for a tax refund which was subject to offset amounts owed in prior periods in PIS, COFINS and IPI, however the application was dismissed. The proceedings amounted to R\$ 13,363.
- k) Import duty –Subsidiary Fras-le S.A. was served a tax delinquency notice due to alleged noncompliance with the ratio Domestic Capital Assets x Total Capital Assets and consequent infraction to article 2, item II of Law No. 9449/97 and article 6 of Decree No. 2072/96, amounting to R\$ 6,676. The subsidiary filed an appeal claiming that the penalty applied had been statute barred. In addition, mistakes of facts and law were alleged in relation to the tax assessment and, as such, full cancellation of the tax notice has been applied for.
- l) IPI – Subsidiary Fras-le S.A. was served a tax delinquency notice due to lack or insufficient IPI payment in the period from January 1997 to September 1997, amounting to R\$ 4,316. The Company filed an appeal alleging that the tax delinquency notice is null and void due to the absence of requirements regarding the offset of taxes in those specific proceedings.
- m) State VAT (ICMS) – Subsidiary Suspensys Sistemas Automotivos Ltda. was assessed by the Finance Department of the State of Rio Grande do Sul, in the total amount of R \$ 7,801 as a result of alleged irregularity in determining the benefit of ICMS reduction through the program FUNDOPEM / Nosso Emprego. The amount includes principal, interest and penalty. On January 24, 2007, as a result of the opposition filed by the Company, the calculations of debt were reconstructed by the tax authority. The case amount was reduced in 2008 due to the annulment proceeding filed by the Company and the new amount attributed to the case was of R \$ 2,662, including penalties and interest. In December 2010, the fining authority converted the fine on assessment, initially classified as basic, and of 60% into qualified penalty of 120%, thereby generating additional tax assessment in the amount of \$ 415. The subsidiary has submitted a timely objection.
- n) II and IPI – Subsidiary Suspensys Sistemas Automotivos received a tax assessment in the updated amount of R\$ 5,772, claiming II and IPI debts, related to statutes granting the special Drawback regime. The case is pending expert evidence.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 16. Provision for disputes (Continued)

- o) IPI matching credit – RefereRefers to tax delinquency notices issued by the Brazilian IRS served to the subsidiary, Master Sistemas Automotivos Ltda, amounting to a total of R\$ 1,475, through which tax authorities rejected the request for refund of matching credit made by the Company and demanded payment of the corresponding tax. The amount includes the principal, penalty and interest.
- p) ICMS matching credit on steel purchases – Refers to tax delinquency notices served by the State of Rio Grande do Sul Finance Department to the subsidiary, Master Sistemas Automotivos Ltda, amounting to a total of R\$ 6,974, and Jost Sistemas Automotivos, amounting to a total of R\$ 1,255, in which tax authorities found award of tax benefit higher than permitted by legislation. The amount includes the principal, penalty and interest.

Labor – several labor proceedings mostly involving indemnification claims;

Social security – INSS assessment pending judgment by the Court of Appeals, considered to involve possible loss, of which the updated amount for subsidiary Master Sistemas Automotivos Ltda. is R\$ 695.

INSS assessments pending judgment by Brazilian IRS, considered to involve possible loss, of which the updated amount for subsidiary Fras-le is R\$ 3,519, for subsidiary Suspensys Sistemas Automotivos is R\$ 4,421, for subsidiary Master Sistemas Automotivos is R\$ 1,336 and for subsidiary Jost Sistemas Automotivos is R\$ 830.

Information on contingent assets (gains) at December 31, 2010, based on the opinion of the Company's legal; counsel is set out below:

| Contingent assets  | 2010     |          |        | 2009     |          |        |
|--------------------|----------|----------|--------|----------|----------|--------|
|                    | Probable | Possible | Remote | Probable | Possible | Remote |
| a) Civil           | 7,678    | 4,055    | 719    | 3,189    | 4,196    | 736    |
| b) social security | 114      | -        | 92     | 150      | -        | 105    |
| c) Tax             | 1,204    | 9,305    | 1,285  | 1,977    | 8,717    | 1,265  |
| Total              | 8,996    | 13,360   | 2,096  | 5,316    | 12,913   | 2,106  |

- (a) Civil – these are collection suits, for which a provision for losses has been set up, however the proceedings continue pending judgment, as such, if the Company prevails in this case the provision will be reversed.



## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 16. Provision for disputes (Continued)

- (b) Tax – Basically represent federal proceedings pending judgment by Higher and Supreme Court. The Company did not record the contingent gains stemming from tax proceedings that depend on surveys of accounts, such as the recoverability of tax credits, but it will only perform this study in the event it is successful in the proceedings.
- (c) Social security – these are proceedings in which the Company and its subsidiaries seek to reduce the Labor Accident Insurance rates, based on the classification of accident risk by the Executive Branch and proceedings that seek to exempt the Company from INSS rate increase from 15% to 20%.

The Company has not recorded contingent gains since it only records them upon handing down of a final unappealable ruling or effective funds inflow.

#### Balance activity in the provision for disputes

Balance activity related to the proceedings is set out below:

##### *Company:*

|                 | Balance at<br>1/1/2009 | Addition | Exclusion | Balance at<br>12/31/2009 | Addition | Exclusion | Balances at<br>12/31/2010 |
|-----------------|------------------------|----------|-----------|--------------------------|----------|-----------|---------------------------|
| Civil           | 1,048                  | 51       | (460)     | 639                      | 481      | (273)     | 847                       |
| Labor           | 1,452                  | 1,168    | (74)      | 2,546                    | 806      | -         | 3,352                     |
| Tax             | 455                    | -        | (455)     | -                        | -        | -         | -                         |
| Social security | 4,785                  | 73       | (1,942)   | 2,916                    | 630      | (1,145)   | 2,401                     |
|                 | 7,740                  | 1,292    | (2,931)   | 6,101                    | 1,917    | (1,418)   | 6,600                     |

##### *Consolidated:*

|                 | Balance at<br>1/1/2009 | Addition | Exclusion | Balance at<br>12/31/2009 | Addition | Exclusion | Balances at<br>12/31/2010 |
|-----------------|------------------------|----------|-----------|--------------------------|----------|-----------|---------------------------|
| Civil           | 1,283                  | 51       | (460)     | 874                      | 1,310    | (273)     | 1,911                     |
| Labor           | 2,341                  | 1,266    | (231)     | 3,376                    | 1,120    | (811)     | 3,685                     |
| Tax             | 2,503                  | 4,630    | (2,263)   | 4,870                    | 720      | (459)     | 5,131                     |
| Social security | 6,588                  | 149      | (3,109)   | 3,628                    | 1,043    | (1,145)   | 3,526                     |
|                 | 12,715                 | 6,096    | (6,063)   | 12,748                   | 4,193    | (2,688)   | 14,253                    |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 17. Loans and financing

|                                                                                     | Index                       | Interest          | Maturity   | BRGAAP         |         |            | IFRS             |         |            |
|-------------------------------------------------------------------------------------|-----------------------------|-------------------|------------|----------------|---------|------------|------------------|---------|------------|
|                                                                                     |                             |                   |            | 2010           | 2009    | 01/01/2009 | 2010             | 2009    | 01/01/2009 |
| <b>Current</b>                                                                      |                             |                   |            |                |         |            |                  |         |            |
| Local currency:                                                                     |                             |                   |            |                |         |            |                  |         |            |
| FINAME                                                                              | TJLP                        | 5.0% a.a.         | 15/05/2011 | -              | -       | 28         | 12               | 483     | 955        |
| FINEP                                                                               | TJLP                        | 1.0% a 5.25% a.a. | 15/12/2018 | <b>7,869</b>   | 3,484   | 3,419      | <b>22,615</b>    | 15,731  | 11,472     |
| Bank loans                                                                          | TJLP                        | 0.5% a 2.5% a.a.  | -          | -              | -       | -          | -                | -       | 103        |
| Commercial leasing                                                                  | CDI                         | 0.1% a 1.6% a.m.  | 14/08/2011 | <b>165</b>     | 1,533   | 2,327      | <b>169</b>       | 1,600   | 2,544      |
| Tax incentive - Fundopem (*)                                                        | IPCA                        | 3.0% a 4.0% a.a.  | 28/02/2021 | <b>181</b>     | -       | -          | <b>181</b>       | -       | -          |
| BNDES                                                                               | URTJLP / TJLP               | 2.2% a 4.5% a.a.  | 16/01/2018 | <b>16,465</b>  | 19,081  | 20,190     | <b>51,030</b>    | 49,618  | 43,978     |
| BNDES                                                                               | Taxa Fixa                   | 4.5% a 5.5% a.a.  | 17/06/2013 | <b>192,049</b> | 964     | 50,049     | <b>249,361</b>   | 22,259  | 77,116     |
| Foreign currency:                                                                   |                             |                   |            |                |         |            |                  |         |            |
| Advances on foreign exchange contracts for export financing of US\$ 19,568 thousand | Variação cambial + Libor    | 0.8% a 1.8% a.a.  | 10/03/2012 | <b>6,563</b>   | 6,865   | 18,854     | <b>32,605</b>    | 46,742  | 54,444     |
| Financing of US\$ 11,261 thousand                                                   | Variação cambial + Libor    | 2.0% a 6.17% a.a. | 15/10/2017 | <b>2,316</b>   | 240     | 9,973      | <b>18,763</b>    | 7,987   | 21,968     |
| Loan for working capital of US\$ 3,855 thousand                                     | Badlar                      | 9.7% a.a.         | 31/08/2014 | -              | -       | -          | <b>6,423</b>     | 9,555   | 5,371      |
| BNDES                                                                               | UMBNDDES / Variação Cambial | 1.9% a 2.5 % a.a. | 15/01/2018 | <b>1,455</b>   | 2,006   | 2,986      | <b>5,664</b>     | 12,724  | 7,280      |
|                                                                                     |                             |                   |            | <b>227,063</b> | 34,173  | 107,826    | <b>386,823</b>   | 166,699 | 225,231    |
| <b>Non-current</b>                                                                  |                             |                   |            |                |         |            |                  |         |            |
| Local currency:                                                                     |                             |                   |            |                |         |            |                  |         |            |
| FINAME                                                                              | TJLP                        | 5.0% a.a.         | -          | -              | -       | -          | -                | 12      | 620        |
| FINEP                                                                               | TJLP                        | 1.0% a 5.25% a.a. | 15/12/2018 | <b>41,732</b>  | 35,362  | 8,751      | <b>75,576</b>    | 74,797  | 55,237     |
| Commercial leasing                                                                  | CDI                         | 0.1% a 1.6% a.m.  | -          | -              | 173     | 1,525      | -                | 177     | 1,543      |
| Tax incentive - Fundopem (*)                                                        | IPCA                        | 3.0% a 4.0% a.a.  | 28/02/2021 | <b>535</b>     | 753     | -          | <b>26,986</b>    | 11,652  | 7,713      |
| BNDES                                                                               | URTJLP / TJLP               | 2.2% a 4.5% a.a.  | 16/01/2018 | <b>95,073</b>  | 64,657  | 83,615     | <b>206,540</b>   | 194,735 | 180,905    |
| BNDES                                                                               | Taxa Fixa                   | 4.5% a 5.5% a.a.  | 17/06/2013 | <b>361,360</b> | 174,780 | -          | <b>548,411</b>   | 293,641 | 19,872     |
| Foreign currency:                                                                   |                             |                   |            |                |         |            |                  |         |            |
| Advances on foreign exchange contracts for export financing of US\$ 625 thousand    | Variação cambial + Libor    | 0.8% a 1.8% a.a.  | 10/03/2012 | <b>1,041</b>   | 7,935   | 19,830     | <b>1,041</b>     | 7,935   | 19,829     |
| Financing of US\$ 35,906 thousand                                                   | Variação cambial + Libor    | 2.0% a 6.17% a.a. | 15/10/2017 | <b>38,485</b>  | 48,064  | 68,066     | <b>59,827</b>    | 79,443  | 110,198    |
| Loan for working capital of US\$ 6,134 thousand                                     | Badlar                      | 9.7% a.a.         | 31/08/2014 | -              | -       | -          | <b>10,220</b>    | 11,799  | 2,352      |
| BNDES                                                                               | UMBNDDES / Variação Cambial | 1.9% a 2.5 % a.a. | 15/01/2018 | <b>10,398</b>  | 5,793   | 10,871     | <b>27,898</b>    | 29,075  | 31,247     |
|                                                                                     |                             |                   |            | <b>548,624</b> | 337,517 | 192,658    | <b>956,499</b>   | 703,266 | 429,516    |
| <b>Total loans incurring interest</b>                                               |                             |                   |            | <b>775,687</b> | 371,690 | 300,484    | <b>1,343,322</b> | 869,965 | 654,747    |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 17. Loans and financing (continued)

Loans and financing are secured by sureties for subsidiaries in the amount of R\$ 234,970 (R\$ 240,114 at 12/31/2009 and R\$ 191,179 at 01/01/2009), mortgage in the amount of R\$ 20,829 (R\$ 49,432 at 12/31/09 and R\$ 59,111 at 01/01/2009); goods provided as guarantee and statutory lien in the amount of R\$ 54,867 (R\$ 65,779 at 12/31/2009 and R\$ 137,661 at 01/01/2009); promissory notes and guarantee letter in the amount of R\$ 66,595 (R\$ 17,332 at 12/31/2009 and R\$ 57,575 at 01/01/2009).

The loan agreements with the International Finance Corporation – IFC, and agreements with the Brazilian Development Bank (BNDES) contain restrictive covenants that include, among others, partial or total prepayment of the outstanding amount when given financial indices (current liquidity, long term debt and debt coverage ratios) are not met. At December 31, 2010, the established ratios were being met by the Company.

#### Fundopem/RS

In December 2006 the Company signed an adjustment term together with the Rio Grande do Sul State Government to adhere to the Fundopem/RS (Rio Grande do Sul State Company Operation Fund).

The tax incentive involves the postponement of ICMS debt installments generated on a monthly basis with a grace period of 33 to 54 months and a payment period of 54 to 96 months, restated by the Amplified Consumer Price Index (IPCA) from the Brazilian Institute of Geography and Statistics (IBGE) bearing interest at 3% p.a to 4%p.a.. The postponed payment on the debt installment is calculated as from the increase in billing, increase in the generation of ICMS tax debits and generation of jobs as set out under the adjustment term. At December 31, 2009 the Company had an unutilized approved operating limit under the terms of the Fundopem – RS amounting to R\$ 86,747 (R\$ 60,623 at December 31, 2009).

To supplement the amount paid to the Company and its subsidiaries must observe all the requirements to obtain this type of incentive namely:

- a) Monthly increases in gross billing;
- b) Monthly increases in ICMS;
- c) Increases in the number of direct employees.

The Company classifies this operation as financing for working capital, with subsidized interest and term.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 17. Loans and financing (continued)

#### Fundopem/RS - Nosso Emprego

In August 1998 the subsidiary, Suspensys Sistemas Automotivos Ltda. obtained a tax incentive from the State Government of Rio Grande do Sul, linked to the generation of Jobs called Fundopem Nosso Emprego ended in November 2010.

The Company calculated the value of the benefit based on the rules specified in Protocol 18/98, of Law No. 11028/97 and other relevant legislation including Revenue Procedure No. 40/97. The calculation structure is based on State Revenue Director (DRP) Revenue Procedure No. 45/98, title 1, chapter V, item 6. The spreadsheet used for this calculation is sent on a monthly basis for analysis by the State System to Attract and Develop Productive Activities (SEADAP).

In accordance with the guidelines of Law No. 11638/07 and CPC 07, the subsidiary, Suspensys Sistemas Automotivos Ltda., obtained an incentive amounting to R\$ 11,762 up to December 31, 2010 (R\$ 13,013 up to December 31, 2009) recognized in the consolidated financial statements.

In its individual financial statements, the subsidiary, Suspensys Sistemas Automotivos Ltda. recorded this amount to an income account with a transfer to the specific account incentive investment reserve in shareholders' equity. The subsidiary does not intend to distribute this amount as profits since it has been allocated solely for use as future capital increase.

### 18. Capital and reserves

#### Registered shares

|                              | <u>2010</u>           | <u>2009</u>    |
|------------------------------|-----------------------|----------------|
| Common shares                | <b>90,000</b>         | 90,000         |
| Preferred convertible shares | <b>180,000</b>        | 180,000        |
|                              | <b><u>270,000</u></b> | <u>270,000</u> |

During 2010, the Ordinary and Extraordinary shareholders' meeting held on April 8, 2010 approved a capital increase for the Company of R\$ 6,000 increasing from R\$ 400,000 to R\$ 406,000 through utilization of the investment income and working capital reserve and without issue of new shares.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 18. Capital and reserves (Continued)

#### Registered shares (continued)

The Extraordinary Shareholders' Meeting held on April 8, 2010, approved capital increase from R\$ 406,000 to R\$ 730,000, through capitalization of part of the balance of the Investment and Working Capital Reserve, with issue of shares with bonus, also shareholders are entitled to one new share per every 2 shares held on the date of the referred to meeting.

#### Fully subscribed and paid in common shares

|                          | <u>Common shares</u> |                | <u>Preferred shares</u> |                |
|--------------------------|----------------------|----------------|-------------------------|----------------|
|                          | <u>In thousands</u>  | <u>R\$000</u>  | <u>In thousands</u>     | <u>R\$000</u>  |
| At January 1, 2009       | 54,592               | 134,361        | 107,931                 | 265,639        |
| December 31, 2009        | 54,592               | 136,377        | 107,931                 | 269,623        |
| Issued in 2010           | 27,296               | 108,833        | 53,966                  | 215,167        |
| <b>December 31, 2010</b> | <b>81,888</b>        | <b>245,210</b> | <b>161,897</b>          | <b>484,790</b> |

#### Treasury shares

|                          | <u>In thousands</u> | <u>R\$000</u>   |
|--------------------------|---------------------|-----------------|
| At January 1, 2009       | 2,300               | (27,626)        |
| Transferred              | (463)               | 5,555           |
| At December 31, 2009     | 1,837               | (22,071)        |
| Bonus in 2010            | 919                 | -               |
| <b>December 31, 2010</b> | <b>2,756</b>        | <b>(22,071)</b> |

On August 31, 2009, the Company's board of directors authorized transfer of 462,519 preferred shares, kept in treasury, to IFC, for the price quoted on the stock exchange of R\$ 12.15 per share, there remaining 1,837,481 preferred shares in treasury.

The Extraordinary Shareholders' Meeting held on April 8, 2010 approved bonus attributed to treasury stock, on a 50% basis. As such, treasury stock was increased by 918,740 preferred shares, totaling 2,756,221 preferred shares at December 31, 2010.

The market value of treasury shares based on the last quotation on the stock exchange at December 31, 2010 is R\$ 33,874.

## **Randon S.A. Implementos e Participações**

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### **18. Capital and reserves (Continued)**

#### Investment and working capital reserve

The investment and working capital reserve is intended to guarantee investments in property, plant and equipment and increase working capital including through the use of amortization of the Company's debt as well as the financing of subsidiaries and affiliates. It is set up with the adjusted income balance less the mandatory dividends, the maximum amount is limited, as with the legal reserve, and cannot exceed capital.

#### Reserves and retentions of profit

##### *Legal reserve*

The legal reserve is set up at 5% of net income each year calculated under the terms of article 193 of Law No. 6.404/76, up to a limit of 20% of capital.

##### *General (statutory) income reserves*

The remaining general income reserve after the treatment mentioned above allocated to the maintenance of working capital cannot exceed 80% of capital.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when otherwise indicated)

### 18. Capital and reserves (Continued)

#### Other comprehensive income

Breakdown of other comprehensive income in net equity is as follows:

|                                                            | Revaluation<br>reserve | PP&E deemed<br>cost | Biologic assets<br>deemed cost | Equity valuation adjustment                  |                     | Actuarial<br>evaluation | Total          |
|------------------------------------------------------------|------------------------|---------------------|--------------------------------|----------------------------------------------|---------------------|-------------------------|----------------|
|                                                            |                        |                     |                                | Exchange variation of<br>foreign investments | Hedge<br>accounting |                         |                |
| Balances at January 1, 2009<br>previously stated           | -                      | -                   | -                              | 2,839                                        | -                   | -                       | 2,839          |
| Adjustment from adoption of CPC<br>Pronouncements and IFRS | 5,657                  | 129,408             | 1,447                          | -                                            | -                   | -                       | 136,512        |
| Balances at January 1, 2009<br>restated                    | 5,657                  | 129,408             | 1,447                          | 2,839                                        | -                   | -                       | 139,351        |
| Additions (write-offs) for the year                        | (45)                   | (5,185)             | (90)                           | (3,709)                                      | -                   | 1,743                   | (7,286)        |
| Balances at December 31, 2009                              | <b>5,612</b>           | <b>124,223</b>      | <b>1,357</b>                   | <b>(870)</b>                                 | -                   | <b>1,743</b>            | <b>132,065</b> |
| Additions (write-offs) for the year                        | <b>(45)</b>            | <b>(5,679)</b>      | <b>(77)</b>                    | <b>(614)</b>                                 | <b>124</b>          | <b>(78)</b>             | <b>(6,369)</b> |
| Balances at December 31, 2010                              | <b>5,567</b>           | <b>118,544</b>      | <b>1,280</b>                   | <b>(1,484)</b>                               | <b>124</b>          | <b>1,665</b>            | <b>125,696</b> |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)  
December 31, 2010 and 2009  
(In thousands of reais, except when indicated otherwise)

### 18. Capital and reserves (Continued)

#### Other comprehensive income—Continued

##### *Revaluation reserve*

Set up as a consequence of revaluation of PP&E items of the Company, for purposes of capital payment of subsidiaries Master Sistemas Automotivos Ltda., on September 29, 2006, and Castertech Tecnologia e Fundação Ltda. on September 1, 2006, based on valuation reports issued by a specialized company.

The Company elected to maintain the balance of the revaluation reserve, and realization thereof through depreciation of revaluated assets, as allowed by CFC Resolution No. 1152/2009.

##### *Reserve for adjustment of PP&E deemed cost*

Set up due to valuation at fair value of PP&E items in accordance with CPC 27 – Property, Plant and Equipment and ICPC 10, recorded based on the valuation report issued by a specialized company.

##### *Reserve for adjustment of biologic assets deemed costs*

Set up due to valuation at fair value of reforestation area maintained by the Company according to CPC 29 – Biologic Assets, recorded based on valuation report prepared by a specialized company.

##### *Equity valuation adjustment*

Corresponds to recording of exchange differences arising from translation of the financial statements of foreign subsidiaries, according to CPC 02R – Effects from changes in foreign exchange rates and translation of financial statements and for recording fair value of the effective portion of hedge operations in connection with export operations, net of tax effects.

##### *Reserve for actuarial valuation*

Reserve originating in the recording of actuarial gains in connection with the employee benefit plan in accordance with CPC 33 – Benefits to Employees.



## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 19. Dividends and interest on equity capital paid and proposed

#### Dividends

Under the Company's charter, common and preferred shares are assured of minimum mandatory dividends of 30% of adjusted net income, also preferred shares are entitled to all the other rights attributed to common shares, in addition to priority in the return of capital, without premium, in proportion to shareholdings held in case of Company liquidation, as well as right to be included in a public offer for controlling shareholding sale, on the terms of article 254-A of Law No. 6404/76, with the new text given by Law No. 10303/01.

Dividends were calculated as follows::

|                                                             | <u>2010</u>     | <u>2009</u> |
|-------------------------------------------------------------|-----------------|-------------|
| Net income for the year                                     | <b>249,493</b>  | 135,158     |
| Adjustments for Law No. 11638/2007                          | <b>(1,491)</b>  | 2,968       |
| Net income for the year adjusted prior to minority interest | <b>248,002</b>  | 138,126     |
| Adjusted net income for the year                            | <b>248,002</b>  | 138,126     |
| Legal reserve (5%)                                          | <b>(12,400)</b> | (6,906)     |
| (+) realization of revaluation reserve                      | <b>45</b>       | 45          |
| Dividend calculation base                                   | <b>235,647</b>  | 131,265     |
| Dividend proposed by management (30%)                       | <b>70,694</b>   | 39,379      |
| Interest on equity capital                                  | <b>52,523</b>   | 32,091      |
| Income tax (15%)                                            | <b>(7,879)</b>  | (4,814)     |
| Additional dividends                                        | <b>26,050</b>   | 12,102      |
| Total minimum dividends proposed by management              | <b>70,694</b>   | 39,379      |

Interest on equity capital includes the proposed distribution of dividends to be submitted to the Ordinary Shareholders' Meeting in accordance with item V of CVM Rule No. 207/96.

Company management will propose payment of dividends for 2010, 11 days after approval by the common general meeting. Dividends proposed by management amount to R\$ 0.11 per common share and R\$ 0.11 per preferred share.

Minimum mandatory dividends are stated in the balance sheet in 2010 as legal obligations (provisions in current liabilities).

## **Randon S.A. Implementos e Participações**

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### **19. Dividends and interest on equity capital paid and proposed (Continued)**

#### Interest on equity capital – Law No. 9.249/95

In accordance with Law No. 9249/95, the Company calculated and paid/ credited interest on equity capital based on the long-term interest rate (TJLP) effective in the period, amounting to R\$ 52,523 (R\$ 32,091 in 2009) which was recorded under financial expenses in accordance with tax legislation in force. For the effect of these financial statements this interest was eliminated from the financial expenses for the year and its being presented in the retained earnings account.

Income and social contribution taxes were reduced by R\$ 17,858, (R\$ 10,911 in 2009) due to the decrease in these taxes due to interest on equity capital paid to shareholders.

### **20. Earnings per share**

In accordance with CPC 41 (IAS 33) (approved by CVM Rule No. 636 – Earnings per Share), the Company presented the following information on earnings per share for the years ended December 31, 2009 and 2010.

Basic earnings per share is calculated by dividing net income for the year, held by the Company's common shareholders, by the weighted average common shares outstanding in the period.

Diluted earnings per share is calculated by dividing net income for the year, held by the Company's common shareholders, by the weighted average common share outstanding in the period plus the weighted average common shares that would have been issued on the conversion of all potential common shares when diluted in common shares. The table below presents net income and the shares utilized in the calculation of basic net income diluted by shares:

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 20. Earnings per share (continued)

|                                                  | 2010          |                | 2009   |           |
|--------------------------------------------------|---------------|----------------|--------|-----------|
|                                                  | Common        | Preferred      | Common | Preferred |
| Net income for the year                          | <b>84,856</b> | <b>164,897</b> | 45,639 | 88,695    |
| Weighted average of shares issued (in thousands) | <b>81,888</b> | <b>159,140</b> | 54,592 | 106,094   |
| Earnings per share – basic and diluted           | <b>1.04</b>   | <b>1.04</b>    | 0.84   | 0.84      |

There were no transaction involving common or potential common shares between the balance sheet date and the date of the conclusion of these financial statements.

### 21. Income taxes

The breakdown of the income and social contribution expenses for the years ended December 31, 2010 and 2009 is as follows:

|                                                                                 | Company         |            | Consolidated     |            |
|---------------------------------------------------------------------------------|-----------------|------------|------------------|------------|
|                                                                                 | BRGAAP          |            | IFRS             |            |
|                                                                                 | 12/31/2010      | 12/31/2009 | 12/31/2010       | 12/31/2009 |
| <b>Current income and social contribution taxes:</b>                            |                 |            |                  |            |
| Current income and social income tax expenses                                   | <b>(35,501)</b> | (8,743)    | <b>(134,167)</b> | (59,576)   |
| <b>Deferred income :</b>                                                        |                 |            |                  |            |
| Relating to the recognition of temporary differences                            | <b>4,806</b>    | (1,472)    | <b>21,538</b>    | 2,274      |
| <b>Income and social contribution taxes reported in the statement of income</b> | <b>(30,695)</b> | (10,215)   | <b>(112,629)</b> | (57,302)   |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 21. Income taxes (Continued)

|                                                                                                                         | Company     |              | Consolidated |              |
|-------------------------------------------------------------------------------------------------------------------------|-------------|--------------|--------------|--------------|
|                                                                                                                         | BRGAAP      |              | IFRS         |              |
|                                                                                                                         | 12/31/2010  | 12/31/2009   | 12/31/2010   | 12/31/2009   |
| <b>Consolidated statements of comprehensive income</b>                                                                  |             |              |              |              |
| Deferred income and social contribution taxes relating to items debited or credited directly in net equity in the year: |             |              |              |              |
| Actuarial valuation adjustment - <i>Randonprev</i>                                                                      | (16)        | (698)        | (16)         | (698)        |
| Comprehensive income of subsidiaries                                                                                    | (8)         | (200)        | (8)          | (200)        |
|                                                                                                                         | <b>(24)</b> | <b>(898)</b> | <b>(24)</b>  | <b>(898)</b> |

Reconciliation between the tax expense and the sum of the multiplication of net income by the local tax rate in the years ended December 31, 2010 and 2009 are described as follows:

|                                                                                | Company       |               | Consolidated   |               |
|--------------------------------------------------------------------------------|---------------|---------------|----------------|---------------|
|                                                                                | BRGGAP        |               | IFRS           |               |
|                                                                                | 12/31/2010    | 12/31/2009    | 12/31/2010     | 12/31/2009    |
| Pretax income                                                                  | 284,470       | 149,374       | 473,051        | 266,778       |
| Tax rate of 34% (34% in 2009)                                                  | 96,720        | 50,787        | 160,837        | 90,704        |
| Adjustments related to prior year current income and social contribution taxes |               |               |                |               |
| Permanent additions                                                            |               |               |                |               |
| Nondeductible expenses                                                         | 1,411         | 536           | 4,097          | 1,808         |
| Permanent exclusions                                                           |               |               |                |               |
| Equity pickup                                                                  | (49,260)      | (31,882)      | -              | -             |
| Interest on equity capital                                                     | (11,809)      | (5,333)       | (23,464)       | (15,618)      |
| Technology incentive                                                           | (3,781)       | (2,987)       | (14,951)       | (10,866)      |
| Fundopem                                                                       | -             | -             | (3,999)        | (4,424)       |
| Deductions                                                                     | (2,603)       | (853)         | (8,352)        | (5,281)       |
| Other items                                                                    | 17            | (53)          | (1,539)        | 979           |
| <b>Income and social contribution taxes in the income statement</b>            | <b>30,695</b> | <b>10,215</b> | <b>112,629</b> | <b>57,302</b> |
| <b>Effective rate</b>                                                          | <b>10.8%</b>  | <b>6.8%</b>   | <b>23.8%</b>   | <b>21.5%</b>  |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 21. Income taxes (Continued)

#### Deferred income and social contribution taxes

Deferred income and social contribution taxes at December 31, relate to:

| Company                                                             | Balance sheet   |                 |                 | Income       |                |
|---------------------------------------------------------------------|-----------------|-----------------|-----------------|--------------|----------------|
|                                                                     | BRGAAP          |                 |                 | BRGAAP       |                |
|                                                                     | 2010            | 2009            | 01/01/2009      | 2010         | 2009           |
| Provision for commission and freight                                | 2,628           | 2,971           | 2,041           | (343)        | 562            |
| Allowance for doubtful accounts                                     | 4,898           | 4,221           | 2,452           | 677          | 1,196          |
| Provision for guarantees                                            | 3,893           | 2,578           | 4,315           | 1,315        | (2,065)        |
| Provision for goods to be delivered                                 | 1,044           | 2,904           | -               | (1,860)      | 2,904          |
| Provision for obsolete inventories                                  | 722             | 792             | 331             | (70)         | 53             |
| Derivative operations                                               | -               | -               | 1,937           | -            | (1,937)        |
| Provision for profit sharing                                        | 6,848           | 2,561           | 4,204           | 4,287        | (1,778)        |
| Adjustments to Law No. 11638/07 and 11941/09                        | (759)           | (705)           | 472             | (54)         | (766)          |
| Provision for contingencies                                         | 2,244           | 2,074           | 2,632           | 170          | (557)          |
| Provision for employee dismissal                                    | 1,144           | 910             | -               | 234          | 910            |
| Sundry provisions and others                                        | 2,116           | 1,009           | 1,561           | 1,107        | (211)          |
| Randonprev actuarial valuation                                      | (747)           | (577)           | -               | (154)        | 120            |
| Accelerated depreciation incentive                                  | (2,266)         | (843)           | -               | (1,423)      | (843)          |
| PP&E "deemed cost" adjustment                                       | (33,319)        | (34,203)        | (35,854)        | 884          | 906            |
| Revaluation to be performed                                         | (3,161)         | (3,197)         | (3,231)         | 36           | 34             |
| <b>Deferred income and social contribution tax expense (income)</b> |                 |                 |                 | <b>4,806</b> | <b>(1,472)</b> |
| <b>Deferred tax assets (liabilities), net</b>                       | <b>(14,715)</b> | <b>(19,505)</b> | <b>(19,140)</b> |              |                |
| Reflected in the balance sheet as follows:                          |                 |                 |                 |              |                |
| Deferred tax assets                                                 | 26,842          | 20,843          | 20,128          |              |                |
| Deferred tax liabilities                                            | (41,557)        | (40,348)        | (39,268)        |              |                |
| Deferred tax assets, net                                            | (14,715)        | (19,505)        | (19,140)        |              |                |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 21. Income taxes (Continued)

#### Deferred income and social contribution taxes (Continued)

| Consolidated                                                 | Balance sheet   |                 |                 | Statements of income |         |
|--------------------------------------------------------------|-----------------|-----------------|-----------------|----------------------|---------|
|                                                              | IFRS            |                 |                 | IFRS                 |         |
|                                                              | 2010            | 2009            | 01/01/2009      | 2010                 | 2009    |
| Tax loss carryforwards                                       | 16,963          | 7,271           | 1,421           | 9,789                | 5,258   |
| Provision for commission and freight                         | 3,619           | 3,679           | 3,251           | (61)                 | 428     |
| Allowance for doubtful accounts                              | 5,683           | 4,963           | 3,588           | 720                  | 1,375   |
| Provision for guarantees                                     | 5,361           | 3,486           | 5,694           | 1,875                | (2,208) |
| Provision for goods to be delivered                          | 3,218           | 5,216           | -               | (1,998)              | 5,216   |
| Provision for obsolete inventories                           | 1,801           | 1,303           | 1,805           | 498                  | (502)   |
| Provisão participação nos resultados                         | 13,657          | 7,946           | 8,666           | 5,711                | (720)   |
| Adjustments for Laws No. 11638/07 and No. 11941/09           | 2,438           | 1,887           | 3,573           | 435                  | (848)   |
| Provision for contingencies                                  | 4,933           | 4,256           | 4,405           | 677                  | (149)   |
| Provision for employee dismissal                             | 1,779           | 1,424           | -               | 355                  | 1,424   |
| Sundry provisions and others                                 | 7,982           | 6,752           | 6,554           | 1,241                | 198     |
| Derivative transactions                                      | 361             | (196)           | 8,878           | 557                  | (9,144) |
| Randonprev actuarial valuation                               | (1,772)         | (1,426)         | -               | (374)                | (199)   |
| Accelerated depreciation incentive                           | (5,946)         | (3,027)         | (13)            | (2,919)              | (3,014) |
| PP&E "deemed cost" adjustment                                | (83,809)        | (88,805)        | (93,930)        | 4,996                | 5,125   |
| Revaluation to be performed                                  | (3,161)         | (3,197)         | (3,231)         | 36                   | 34      |
| <b>Income and social contribution taxes income (expense)</b> | -               | -               | -               | 21,538               | 2,274   |
| <b>Deferred tax assets (liabilities), net</b>                | <b>(26,893)</b> | <b>(48,468)</b> | <b>(49,339)</b> |                      |         |
| Reflected in the balance sheet as follows:                   |                 |                 |                 |                      |         |
| Deferred tax assets                                          | 70,044          | 49,510          | 51,617          |                      |         |
| Deferred tax liabilities                                     | (96,937)        | (97,978)        | (100,956)       |                      |         |
| Deferred tax assets, net                                     | <b>(26,893)</b> | <b>(48,468)</b> | <b>(49,339)</b> |                      |         |

The Company and its subsidiaries have tax losses generated in Brazil, in the amount of R\$ 38,926 (2009: R\$ 21,385), that may be offset against future taxable income of the company generating them, and may be carried indefinitely. However, these tax losses are of subsidiary that has a history of operating losses, which may not be used to offset taxable income of other companies.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 22. Rights and obligations related to consortium group members

These refer to funds pending receipt by Randon Administradora de Consórcio Ltda., arising from judicial collection as a consequence of closing of consortium groups, transferred to the consortium administrator, as defined by BACEN Circular No. 3084, dated January 31, 2002. After conclusion of the judicial collection proceeding, these funds will be proportionally apportioned among consortium group beneficiaries.

### 23. Net sales revenue

The breakdown of net sales revenue is as follows:

|                             | Company          |                | Consolidated     |                  |
|-----------------------------|------------------|----------------|------------------|------------------|
|                             | BRGAAP           |                | IFRS             |                  |
|                             | 31/12/2010       | 31/12/2009     | 31/12/2010       | 31/12/2009       |
| Gross sales revenue         | 2,038,899        | 1,256,845      | 4,707,701        | 3,161,850        |
| Returns                     | (36,575)         | (14,512)       | (57,900)         | (37,471)         |
| Adjustment to present value | (18,131)         | (11,229)       | (45,377)         | (30,978)         |
| Sales taxes                 | (364,891)        | (234,379)      | (885,452)        | (623,857)        |
| <b>Net operating income</b> | <b>1,619,302</b> | <b>996,725</b> | <b>3,718,972</b> | <b>2,469,544</b> |

### 24. Expenses by nature

The Company elected to present the consolidated statements of income by division. As required by IFRS, the breakdown of the consolidated statements of income by type is as follows:

|                                                    | Company            |                  | Consolidated       |                    |
|----------------------------------------------------|--------------------|------------------|--------------------|--------------------|
|                                                    | BRGAAP             |                  | IFRS               |                    |
|                                                    | 31/12/2010         | 31/12/2009       | 31/12/2010         | 31/12/2009         |
| <b>By function</b>                                 |                    |                  |                    |                    |
| Cost of goods sold                                 | (1,288,486)        | (819,746)        | (2,812,368)        | (1,907,851)        |
| Sales expenses                                     | (113,335)          | (79,484)         | (271,507)          | (205,562)          |
| General and administrative expenses                | (50,166)           | (41,585)         | (127,754)          | (113,188)          |
| Management fees and profit sharing                 | (9,065)            | (8,285)          | (19,651)           | (17,121)           |
| Other operating expenses                           | (31,771)           | (11,017)         | (65,729)           | (34,823)           |
|                                                    | <b>(1,492,823)</b> | <b>(960,117)</b> | <b>(3,297,009)</b> | <b>(2,278,545)</b> |
| <b>By nature</b>                                   |                    |                  |                    |                    |
| Depreciation and amortization                      | (25,563)           | (21,536)         | (82,104)           | (70,405)           |
| Salaries and social charges                        | (230,578)          | (161,563)        | (605,737)          | (446,826)          |
| Raw material and materials for use and consumption | (1,052,689)        | (669,522)        | (2,138,502)        | (1,427,309)        |
| Freight                                            | (22,870)           | (14,637)         | (82,340)           | (51,687)           |
| Other expenses                                     | (161,123)          | (92,859)         | (388,326)          | (282,318)          |
|                                                    | <b>(1,492,823)</b> | <b>(960,117)</b> | <b>(3,297,009)</b> | <b>(2,278,545)</b> |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 25. Expenses with employee benefits and profit sharing

|                          | Company        |                |                | Consolidated   |                |                |
|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                          | BRGAAP         |                |                | IFRS           |                |                |
|                          | 31/12/2010     | 31/12/2009     | 01/01/2009     | 31/12/2010     | 31/12/2009     | 01/01/2009     |
| Wages and salaries       | 149,715        | 112,201        | 119,323        | 391,901        | 311,739        | 303,232        |
| Social security costs    | 28,108         | 22,659         | 20,068         | 81,558         | 60,673         | 57,093         |
| Pension related expenses | 1,553          | 1,220          | 1,708          | 3,855          | 3,056          | 3,305          |
|                          | <b>179,376</b> | <b>136,080</b> | <b>141,099</b> | <b>477,314</b> | <b>375,468</b> | <b>363,630</b> |

Employees' profit sharing was calculated as established in the Employee Profit Sharing Program approved by the representative trade unions. In accordance with Law No. 10101 dated December 19, 2000. The profit sharing amount for the year ended 2010 was R\$ 25,932 (R\$ 7,912 at December 31, 2009 and R\$ 17,624 at January 1, 2009), Company and R\$ 55,461 (R\$ 26,135 at December 31, 2009 and R\$ 37,959 at January 1, 2009), Consolidated.

### 26. Research and development costs

The cost of research and development recognized as expenses in the statements of income during the financial year totaled R\$ 18,536 (2009: R\$ 14,644), Company and R\$ 64,787 (2009: R\$ 47,364), Consolidated.

### 27. Financial income (expenses)

|                                                | Company         |                 | Consolidated     |                  |
|------------------------------------------------|-----------------|-----------------|------------------|------------------|
|                                                | BRGAAP          |                 | IFRS             |                  |
|                                                | 12/31/2010      | 12/31/2009      | 12/31/2010       | 12/31/2009       |
| Financial income:                              |                 |                 |                  |                  |
| Foreign exchange variation                     | 29,319          | 47,168          | 54,601           | 83,589           |
| Interest on gains from short-terms investments | 22,955          | 12,423          | 64,134           | 37,732           |
| Revenue from swap operations                   | -               | -               | 292              | -                |
| Gains from other derivative transactions       | 1,250           | 3,200           | 3,411            | 21,829           |
| Earnings from intercompany loans               | 828             | 158             | -                | 38               |
| Adjustment to present value                    | 17,417          | 12,057          | 35,737           | 27,399           |
| Other financial income                         | 5,203           | 5,465           | 8,309            | 13,531           |
|                                                | <b>76,972</b>   | <b>80,471</b>   | <b>166,484</b>   | <b>184,118</b>   |
| Financial expenses:                            |                 |                 |                  |                  |
| Foreign exchange variation                     | (28,236)        | (33,087)        | (54,803)         | (66,760)         |
| Interest on financing                          | (22,165)        | (16,005)        | (57,826)         | (39,717)         |
| Expenses from swap operations                  | -               | -               | (2,695)          | -                |
| Losses with derivative operations              | (397)           | (563)           | (1,833)          | (3,856)          |
| Financing expenses                             | (6,234)         | (4,899)         | (5,775)          | (4,948)          |
| Adjustment to present value                    | (4,274)         | (2,642)         | (7,761)          | (7,373)          |
| Other financial expenses                       | (13,731)        | (12,015)        | (22,024)         | (21,689)         |
|                                                | <b>(75,037)</b> | <b>(69,211)</b> | <b>(152,717)</b> | <b>(144,343)</b> |
| Financial income                               | <b>1,935</b>    | <b>11,260</b>   | <b>13,767</b>    | <b>39,775</b>    |



## **Randon S.A. Implementos e Participações**

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### **28. Financial risk management policies and objectives**

The Company and its subsidiaries performed transactions involving financial instruments to meet operating requirements and reduce exposure to financial risks, mainly credit risk, and the application of funds, market risk (foreign exchange and interest) and liquidity risk to which the Company believes it is exposed in accordance with its nature of business and operating structure were all recorded in the financial statements.

These risks are managed through the definition of a strategy that is prepared and approved by the Company's management, linked to the establishment of control systems and the determination of position limits.

Descriptions of the Company's risks are as follows:

#### Market risk

The Company and its subsidiaries do not make investments of a speculative nature in derivatives or any other risk assets.

Market risk is the risk that the fair value of future cash flows of a given financial instrument fluctuates due to variations in market prices. Market prices involve three types of risk: interest rate risk, foreign exchange risk and price risk and may involve commodities, shares among other items. Financial instruments affected by market risk include loans raised and given, deposits, financial instruments measured at fair values through profit and loss, financial instruments held to maturity and derivative financial instruments.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 28. Financial risk management policies and objectives (Continued)

#### Market risk (Continued)

All financial instrument transactions are recognized in the Company's financial statements as set out below:

Company:

|                                         | 2010 |       |                  |                | 2009      |       |                  |                |           |
|-----------------------------------------|------|-------|------------------|----------------|-----------|-------|------------------|----------------|-----------|
|                                         | Note | FVTPL | Held to maturity | Amortized cost | Total     | FVTPL | Held to maturity | Amortized cost | Total     |
| <b>Assets</b>                           |      |       |                  |                |           |       |                  |                |           |
| Cash and cash equivalents               | 6    | -     | -                | 455,003        | 455,003   | -     | -                | 169,006        | 169,006   |
| Long-term investments                   | 7    | -     | 205,834          | -              | 205,834   | -     | 68,513           | -              | 68,513    |
| Trade accounts receivable               | 8    | -     | -                | 316,084        | 316,084   | -     | -                | 232,389        | 232,389   |
| Consortium for resale                   |      | -     | -                | 10,105         | 10,105    | -     | -                | 12,529         | 12,529    |
| Derivatives                             |      | -     | -                | 20             | 20        | -     | -                | 15             | 15        |
| <b>Liabilities</b>                      |      |       |                  |                |           |       |                  |                |           |
| Loans and financing in local currency   | 17   | -     | -                | (715,429)      | (715,429) | -     | -                | (300,787)      | (300,787) |
| Loans and financing in foreign currency | 17   | -     | -                | (60,258)       | (60,258)  | -     | -                | (70,903)       | (70,903)  |
| Intercompany loans payable              |      | -     | -                | (72,564)       | (72,564)  | -     | -                | (55,652)       | (55,652)  |
|                                         |      | -     | 205,834          | (67,039)       | 138,795   | -     | 68,513           | (13,403)       | 55,110    |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 28. Financial risk management policies and objectives (Continued)

#### Market risk (Continued)

##### Consolidated:

|                                         | 2010  |                |                  |                | 2009           |             |                  |                |                |
|-----------------------------------------|-------|----------------|------------------|----------------|----------------|-------------|------------------|----------------|----------------|
|                                         | Notea | FVTPL          | Held to maturity | Amortized cost | Total          | FVTPL       | Held to maturity | Amortized cost | Total          |
| <b>Assets</b>                           |       |                |                  |                |                |             |                  |                |                |
| Cash and cash equivalents               | 6     | -              | -                | 1,049,483      | 1,049,483      | -           | -                | 616,659        | 616,659        |
| Long-term investments                   | 7     | -              | 224,023          | -              | 224,023        | -           | 68,513           | -              | 68,513         |
| Trade accounts receivable               | 8     | -              | -                | 528,716        | 528,716        | -           | -                | 418,509        | 418,509        |
| Consortium for resale                   |       | -              | -                | 21,739         | 21,739         | -           | -                | 24,656         | 24,656         |
| Derivatives                             |       | 414            | -                | -              | 414            | -           | -                | -              | -              |
| <b>Liabilities</b>                      |       |                |                  |                |                |             |                  |                |                |
| Loans and financing in local currency   | 17    | -              | -                | (1,180,881)    | (1,180,881)    | -           | -                | (664,705)      | (664,705)      |
| Loans and financing in foreign currency | 17    | -              | -                | (162,441)      | (162,441)      | -           | -                | (205,260)      | (205,260)      |
| Intercompany loans payable              |       | -              | -                | (66,546)       | (66,546)       | -           | -                | (62,097)       | (62,097)       |
| Derivatives                             |       | (1,528)        | -                | -              | (1,528)        | (43)        | -                | -              | (43)           |
|                                         |       | <u>(1,114)</u> | <u>224,023</u>   | <u>190,070</u> | <u>412,979</u> | <u>(43)</u> | <u>68,513</u>    | <u>127,762</u> | <u>196,232</u> |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 28. Financial risk management policies and objectives (Continued)

#### Market risk (Continued)

The breakdown of the Company's financial instruments by book value and fair value presented in the financial statements is presented below.

*Company:*

|                                         | Note | Book value     |               |               | Fair value     |               |               |
|-----------------------------------------|------|----------------|---------------|---------------|----------------|---------------|---------------|
|                                         |      | 2010           | 2009          | 01/01/2009    | 2010           | 2009          | 01/01/2009    |
| <b>Assets</b>                           |      |                |               |               |                |               |               |
| Cash and cash equivalents               | 6    | 455,003        | 169,006       | 129,092       | 455,003        | 169,006       | 129,092       |
| Long-term investments                   | 7    | 205,834        | 68,513        | -             | 206,631        | 68,689        | -             |
| Trade accounts receivable               | 8    | 316,084        | 232,389       | 242,479       | 316,084        | 232,389       | 242,479       |
| Consortium for resale                   |      | 10,105         | 12,529        | 12,424        | 10,105         | 12,529        | 12,424        |
| Intercompany loans receivable           |      | 20             | 15            | 3,961         | 20             | 15            | 3,961         |
| <b>Liabilities</b>                      |      |                |               |               |                |               |               |
| Loans and financing in local currency   | 17   | (715,429)      | (300,787)     | (169,905)     | (715,429)      | (300,787)     | (169,905)     |
| Loans and financing in foreign currency | 17   | (60,258)       | (70,903)      | (130,579)     | (60,258)       | (70,903)      | (130,579)     |
| Intercompany loans payable              |      | (72,564)       | (55,652)      | (36,758)      | (72,564)       | (55,652)      | (36,758)      |
| Derivative financial instruments        |      | -              | -             | (5,811)       | -              | -             | (5,811)       |
| Total                                   |      | <u>138,795</u> | <u>55,110</u> | <u>44,903</u> | <u>139,592</u> | <u>55,286</u> | <u>44,903</u> |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 28. Financial risk management policies and objectives (Continued)

#### Market risk (Continued)

##### *Consolidated:*

|                                  | Nota | Book value         |           |            | Fair value         |           |            |
|----------------------------------|------|--------------------|-----------|------------|--------------------|-----------|------------|
|                                  |      | 2010               | 2009      | 01/01/2009 | 2010               | 2009      | 01/01/2009 |
| <b>Assets</b>                    |      |                    |           |            |                    |           |            |
| Cash and cash equivalents        | 6    | <b>1,049,483</b>   | 616,659   | 316,372    | <b>1,049,483</b>   | 616,659   | 316,372    |
| Long-term investments            | 7    | <b>224,023</b>     | 68,513    | 32,222     | <b>224,820</b>     | 68,698    | 32,292     |
| Trade accounts receivable        | 8    | <b>528,716</b>     | 418,509   | 420,675    | <b>528,716</b>     | 418,509   | 420,675    |
| Consortium for resale            |      | <b>21,739</b>      | 24,656    | 25,812     | <b>21,739</b>      | 24,656    | 25,812     |
| Derivative financial instruments |      | <b>414</b>         | -         | 320        | <b>414</b>         | -         | 320        |
| <b>Liabilities</b>               |      |                    |           |            |                    |           |            |
| Loans and financing              |      |                    |           |            |                    |           |            |
| in local currency                | 17   | <b>(1,180,881)</b> | (664,705) | (402,059)  | <b>(1,180,881)</b> | (664,705) | (402,059)  |
| Loans and financing              |      |                    |           |            |                    |           |            |
| in foreign currency              | 17   | <b>(162,441)</b>   | (205,260) | (252,688)  | <b>(162,441)</b>   | (205,260) | (252,688)  |
| Intercompany loans payable       |      | <b>(66,546)</b>    | (62,097)  | (45,174)   | <b>(66,546)</b>    | (62,097)  | (45,174)   |
| Derivative financial instruments |      | <b>(1,528)</b>     | (43)      | (27,372)   | <b>(1,528)</b>     | (43)      | (27,372)   |
| Total                            |      | <b>412,979</b>     | 196,232   | 68,108     | <b>413,776</b>     | 196,417   | 68,178     |

## **Randon S.A. Implementos e Participações**

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### **28. Financial risk management policies and objectives (Continued)**

#### Interest rate risk

Interest rate risk relates to the risk that the fair value of future cash flows of a given financial instruments fluctuate due to variations in market interest rates.

The Company's exposure to any changes in market interest rates mainly refers to long term liabilities that are subject to variable interest rates.

The Company manages interest rate risk through balancing its portfolio between loans receivable and loans payable subject to fixed and floating interest rates. To mitigate these risks the Company and its subsidiaries adopt the practice of diversifying loans raised incurring/ bearing fixed and floating interest rates, the ongoing analysis of financial institution risks and in certain circumstances assessment of the need to contract hedge instruments in order to lock-in the financial cost of operations.

Gains from these short-term investments as well as financial expenses stemming from the Company's loans and financing are affected by variations in the interest rates such as the TJLP, IPCA, and the CDI.

#### Interest rate sensitivity

The table below states the sensitivity of a possible change in interest rates, presenting all other variables in the Company's pre-tax profits as constant (is affected by the impact of loans payable that incur variable rates).

Three scenarios were considered, with the probable scenario adopted by the Company, as well as a further two scenarios detailing deterioration of 25% and 50% in the variable of the assessed risk. These scenarios were assessed based on management's projection of variations in interest rates on maturity of the respective agreements subject to those risks.

The sensitivity analysis takes open positions at the base date of December 31, 2010, into consideration based on the nominal value and interest of each recorded instrument.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 28. Financial risk management policies and objectives (Continued)

#### Interest rate sensitivity (continued)

##### *Company*

| Transaction                                     | Currency | Probable scenario | Possible Scenario | Remote scenario |
|-------------------------------------------------|----------|-------------------|-------------------|-----------------|
| <b>DECREASE OF FINANCIAL INSTRUMENTS</b>        |          |                   |                   |                 |
| Short-term investments                          | R\$      | 70,665            | 52,999            | 35,332          |
| <b>Depreciation in rate</b>                     |          |                   | <b>25.00%</b>     | <b>50.00%</b>   |
| <b>Reference rate for financial instruments</b> |          | <b>Probable</b>   | <b>Possible</b>   | <b>Remote</b>   |
| CDI %                                           |          | 10.8%             | 8.1%              | 5.4%            |
| <b>INCREASE IN FINANCIAL EXPENSES</b>           |          |                   |                   |                 |
| Financial institutions                          | R\$      | 30,001            | 37,501            | 45,002          |
| <b>Appreciation of rate by</b>                  |          |                   | <b>25.00%</b>     | <b>50.00%</b>   |
| <b>Reference rate for financial liabilities</b> |          |                   |                   |                 |
|                                                 |          | Provável          | Possível          | Remoto          |
| TJLP                                            |          | 6.0%              | 7.5%              | 9.0%            |
| URTJLP                                          |          | 10.4%             | 13.0%             | 15.6%           |
| CDI                                             |          | 10.8%             | 13.5%             | 16.2%           |
| IPCA                                            |          | 5.9%              | 7.4%              | 8.9%            |
| LIBOR for six-month                             |          | 0.5%              | 0.6%              | 0.7%            |
| Exchange variation                              |          | 1.7               | 2.1               | 2.5             |
| BADLAR                                          |          | 10.8%             | 13.5%             | 16.2%           |

##### *Consolidated*

| Transaction                                     | Currency | Probable scenario | Possible Scenario | Remote scenario |
|-------------------------------------------------|----------|-------------------|-------------------|-----------------|
| <b>DECREASE OF FINANCIAL INSTRUMENTS</b>        |          |                   |                   |                 |
| Short-term investments                          | R\$      | 135,050           | 101,287           | 67,525          |
| <b>Depreciation in rate</b>                     |          |                   | <b>25.00%</b>     | <b>50.00%</b>   |
| <b>Reference rate for financial instruments</b> |          | <b>Probable</b>   | <b>Possible</b>   | <b>Remote</b>   |
| CDI %                                           |          | 10.8%             | 8.1%              | 5.4%            |
| <b>INCREASE IN FINANCIAL EXPENSES</b>           |          |                   |                   |                 |
| Financial institutions                          | R\$      | 175,347           | 219,184           | 263,020         |
| <b>Appreciation of rate by</b>                  |          |                   | <b>25.00%</b>     | <b>50.00%</b>   |
| <b>Reference rate for financial liabilities</b> |          |                   |                   |                 |
|                                                 |          | Provável          | Possível          | Remoto          |
| TJLP                                            |          | 6.0%              | 7.5%              | 9.0%            |
| URTJLP                                          |          | 10.4%             | 13.0%             | 15.6%           |
| CDI                                             |          | 10.8%             | 13.5%             | 16.2%           |
| IPCA                                            |          | 5.9%              | 7.4%              | 8.9%            |
| LIBOR for six-month deposits                    |          | 0.5%              | 0.6%              | 0.7%            |
| Exchange variation                              |          | 1.7               | 2.1               | 2.5             |
| BADLAR                                          |          | 10.8%             | 13.5%             | 16.2%           |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 28. Financial risk management policies and objectives (Continued)

#### Foreign exchange risk

Exchange rate risk stems from the risk that the fair value of future cash flows of financial instruments fluctuate due to variations in the foreign exchange rate. The Company's exposure to the risk of variation in exchange rates mainly relates to the Company's operations (when income or expenses are denominated in a currency other than the functional currency) and the Company's net investment in subsidiaries abroad.

The Company operates internationally is exposed to currency risk stemming from exposure to certain currencies, mainly in relation to the US Dollar that in the year ended December 31, 2010 showed a negative variation of 4.31% (25.45% loss in 2009). The foreign exchange risk stemming from commercial and financial operations recognized assets and liabilities and net investments abroad. The Company and its subsidiaries manage their foreign exchange risk in relation to its functional currency. Further to trade accounts receivable for exports from Brazil and investments abroad that constitute a natural hedge the Company constantly monitors its foreign exchange exposure and when necessary contracts derivative financial instruments in order to hedge that exposure.

At December 31, 2010 and 2009, the foreign exchange exposure of the Company and its subsidiaries for foreign exchange transactions are as follows:

|                                                   | US\$ thousand     |        |                 |          |
|---------------------------------------------------|-------------------|--------|-----------------|----------|
|                                                   | Company<br>BRGAAP |        | Company<br>IFRS |          |
|                                                   | 2010              | 2009   | 2010            | 2009     |
| A. Net assets in US Dollars                       | 50,723            | 45,973 | 96,352          | 76,519   |
| B. Loans and financing in US Dollars              | 36,165            | 40,721 | 97,492          | 117,884  |
| C. Fair value of derivative financial instruments | -                 | -      | (668)           | (25)     |
| D. Calculated surplus (deficit) (A-B+C)           | 14,558            | 5,252  | (1,808)         | (41,390) |



## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 28. Financial risk management policies and objectives (Continued)

#### Foreign exchange sensitivity

The table below details the sensitivity to a variation in the US\$ Dollar exchange rate maintaining all other variables constant, the Company's pre-tax income (due to variation in the fair value of monetary assets and liabilities) and the Company's net equity. Again, three scenarios are considered, including the probable scenario adopted by the Company, and two further scenarios for decrease of 25% and 50% in the variable of the risk assessed. These scenarios were based on management's projection of the foreign exchange rate on maturity of the respective agreements that are subject to these risks.

|              |                  | <b>Company</b>      |             |         |
|--------------|------------------|---------------------|-------------|---------|
| Transaction  | Risk             | Probable scenario   | Transaction | Risk    |
| Rate Surplus | Increase in US\$ | 1.67                | 2.08        | 2.50    |
|              | Fall in US\$     | 24,257              | 30,321      | 36,385  |
| Rate Surplus | Increase in US\$ | 1.67                | 1.25        | 0.84    |
|              |                  | 24,257              | 18,192      | 12,128  |
|              |                  | <b>Consolidated</b> |             |         |
| Transaction  | Risk             | Probable scenario   | Transaction | Risk    |
| Rate Surplus | Increase in US\$ | 1.67                | 2.08        | 2.50    |
|              | Fall in US\$     | (1,899)             | (2,374)     | (2,849) |
| Rate Surplus | Increase in US\$ | 1.67                | 1.25        | 0.84    |
|              |                  | (1,899)             | (1,425)     | (950)   |

#### Capital risk structure

The main objective of the Company's capital management is to ensure that it retains a strong credit rating and a problem free capital classification in order to support its business and maximize value to its shareholders.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 28. Financial risk management policies and objectives (Continued)

#### Capital risk structure (continued)

The Company manages its capital structure and makes adjustments considering changes in economic conditions. The capital structure or financial risk stems from the choice between using own capital (capital subscription and retained earnings) and third party capital that the Company and its subsidiaries use to finance operations. To mitigate liquidity risk and optimize to weighted average cost of capital the Company and its subsidiaries continually monitor levels of indebtedness in accordance with market standards and to meet covenants provided in loans and financing agreements.

There were no changes regarding objectives, policies or processes during the years ended December 31, 2010 and 2009.

The Company includes loans and financing debt in net debt as income, less cash and cash equivalents as stated below:

#### *Company*

|                               | <b>Not4</b> | <b>2010</b>      | <b>2009</b> |
|-------------------------------|-------------|------------------|-------------|
| Loans and financing           | 17          | <b>775,687</b>   | 371,690     |
| (-) cash and cash equivalents | 6           | <b>(455,003)</b> | (169,006)   |
| (-) Long-term investments     | 7           | <b>(205,834)</b> | (68,513)    |
| Net debt                      |             | <b>114,850</b>   | 134,171     |
| Equity                        |             | <b>1,172,045</b> | 1,001,693   |
| Capital and net debt          |             | <b>1,286,895</b> | 1,135,864   |
| Leverage quotient             |             | <b>8.9%</b>      | 11.8%       |

#### *Consolidated*

|                               | <b>Nota</b> | <b>2010</b>        | <b>2009</b> |
|-------------------------------|-------------|--------------------|-------------|
| Loans and financing           | 17          | <b>1,343,322</b>   | 869,965     |
| (-) cash and cash equivalents | 6           | <b>(1,049,483)</b> | (616,659)   |
| (-) Long-term investments     | 7           | <b>(224,023)</b>   | (68,513)    |
| Net debt                      |             | <b>69,816</b>      | 184,793     |
| Equity                        |             | <b>1,172,045</b>   | 1,001,693   |
| Capital and net debt          |             | <b>1,241,861</b>   | 1,186,486   |
| Leverage quotient             |             | <b>5.6%</b>        | 15.6%       |

#### Guarantees

The Company does not have financial assets given in guarantee at December 31, 2010 and 2009.

## **Randon S.A. Implementos e Participações**

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### **28. Financial risk management policies and objectives (Continued)**

#### Credit risk

Credit risk stems from the risk that a counterparty of a business does not meet its obligations provided in a financial instruments or a customer contract and incurs losses. The Company is exposed to credit risk in its operational activities (mainly in relation to accounts receivable) and financing including deposits in banks and financial institutions, foreign exchange transactions and other financial instruments.

#### Trade accounts receivable

Customer credit risk is managed by each business unit and subject to procedures, controls and the policy established by the Company relating to that risk. Credit limits are established for all customers based on internal classification criteria. The quality of customer credit is assessed based on an internal classification system and a history of losses. Outstanding trade accounts receivables are monitored regularly. At December 31, 2010, the Company had 11 customers (7 in 2009) that owed the Company approximately R\$9,000 each and were responsible for approximately 34.5% (23.8% in 2009) of all outstanding receivables. At December 31, 2010, 8 customers (6 customers in 2009) had balances of over R\$10,000 and were responsible for 29.5% (21.8% in 2009) of amounts receivable. The need for a provision for impairment is analyzed on each balance date on an individual basis for the main customers. In addition, a large number of accounts receivable with lower balances are recorded under similar groups and in these cases impairment is assessed collectively.

The calculation is based on effective historical data. The maximum exposure to credit risk on the base date is the amount recorded as stated in Note 8.

#### Financial instruments and bank deposits

Credit risk of balances with banks and financial institutions is managed by the Company's treasury department in accordance with the policy established by that body. Excess funds are solely invested with financial institutions authorized and approved by the Finance and Planning Committee and assessed by the Executive Board, within defined credit limits which are established in order to minimize the concentration of credit risk and accordingly, minimize financial loss in the event that a counter party ceases to operate as a going concern.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 28. Financial risk management policies and objectives (Continued)

#### Liquidity risk

Liquidity risk consists of the possibility that the Company and its subsidiaries do not have sufficient funds to meet its commitments due to the various currencies and maturities of its rights and obligations.

The liquidity and cash flow control of the Company and its subsidiaries is monitored on a daily basis by the Company's management in order to guarantee that the working capital generation and the raising of funds, when required, are sufficient to maintain the chronology of its commitments, thereby mitigating liquidity risks for the Company and its subsidiaries.

The table below summarizes the breakdown of the Company's and its subsidiaries financial liabilities by maturity at December 31, 2010, based on undiscounted contractual payments.

| <b>Year ended December 31, 2010</b> | <b>Less than 3 months</b> | <b>3 to 12 months</b> | <b>1 to 5 years</b> | <b>Over 5 years</b> | <b>Total</b>     |
|-------------------------------------|---------------------------|-----------------------|---------------------|---------------------|------------------|
| Loans                               | 13,511                    | 367,990               | 881,961             | 79,860              | 1,343,322        |
| Suppliers                           | 135,383                   | 7,635                 | 299                 | -                   | 143,317          |
| Derivatives                         | 1,528                     | -                     | -                   | -                   | 1,528            |
|                                     | <b>150,422</b>            | <b>375,625</b>        | <b>882,260</b>      | <b>79,860</b>       | <b>1,488,167</b> |

#### Derivative financial instruments

The Company has a policy to carry out transactions with derivative financial instruments in order to mitigate or eliminate the risks inherent in its transactions.

The management of the Company and that of its subsidiaries continuously monitor contracted derivative financial instruments through their internal controls.

Currently the derivative financial instruments contracted by the Company are due to its exposure to foreign exchange risk and are all registered with the Clearing House for the Custody and Financial Settlement of Securities (CETIP).

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 28. Financial risk management policies and objectives (Continued)

#### Derivative financial instruments (Continued)

The derivative financial instruments contracted by the Company were mainly non-deliverable forwards (NDFs) seeking to hedge projected future sales to customers abroad for which the Company considers the realization of the transaction to be highly probable and the credit balance in foreign currency, and exchange rate swap operations, to provide exchange hedge for certain loans denominated in foreign currency. The net result of these operations is recorded on the accrual basis in the financial statements.

As from 2010 these transactions were documented for registration purposes under hedge accounting methodology in accordance with CPC 38, approved by CVM Rule No. 604/09. In this type of operation, the Company has rights and obligations based on a quotation previously agreed upon maturity thereof. The Company recorded the unrealized effects of these contracted instruments in a specific account under net equity.

The foreign exchange swap operation refers to index swap operation, calculated on a notional amount, in which the Company at the asset end receives exchange variation in the period from contract beginning through to maturity date, and pays at the liability end CDI variation less a fixed discount for each maturity.

A breakdown of the Company's open positions at December 31, 2010, stating the face and fair values of each contracted instrument is as follows:

| Description /<br>Counterparty | Reference value                 |       | Reference value                |        | Fair value – in<br>thousands of R\$ -<br>(credit) / debit |      | Cost – in<br>thousands of R\$ -<br>(credit) / debit |      | Accumulated effect<br>2010 – in thousands<br>of R\$ (credit) / debit |               | Accumulated effect<br>in 2009 – in<br>thousands of R\$<br>(credit) / debit |               |
|-------------------------------|---------------------------------|-------|--------------------------------|--------|-----------------------------------------------------------|------|-----------------------------------------------------|------|----------------------------------------------------------------------|---------------|----------------------------------------------------------------------------|---------------|
|                               | Local – in<br>thousands of US\$ |       | Local – in<br>thousands of R\$ |        | 2010                                                      | 2009 | 2010                                                | 2009 | Valor<br>Recebido                                                    | Valor<br>pago | Valor<br>recebido                                                          | Valor<br>pago |
|                               | 2010                            | 2009  | 2010                           | 2009   |                                                           |      |                                                     |      |                                                                      |               |                                                                            |               |
| NDF                           | 6,000                           | 6,000 | 9,997                          | 10,400 | 414                                                       | (43) | 414                                                 | (43) | 776                                                                  | (61)          | 1,167                                                                      | (5,891)       |
| SWAP                          | 8,223                           | -     | 14,954                         | -      | (1,528)                                                   | -    | (1,528)                                             | -    | -                                                                    | (874)         | -                                                                          | -             |
| Total                         | 14,223                          | 6,000 | 24,951                         | 10,400 | (1,114)                                                   | (43) | (1,114)                                             | (43) | 776                                                                  | (935)         | 1,167                                                                      | (5,891)       |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 28. Financial risk management policies and objectives (Continued)

#### Derivative financial instruments (Continued)

The breakdown of outstanding foreign exchange derivatives by counterparty is as follows:

| Description                   | Reference value<br>(face) |               |              | Fair value |                |             |
|-------------------------------|---------------------------|---------------|--------------|------------|----------------|-------------|
|                               | Currency                  | 2010          | 2009         | Currency   | 2010           | 2009        |
| <b>NDF – hedge accounting</b> |                           |               |              |            |                |             |
| Banco do Brasil               | USD                       | 4,500         | 6,000        | R\$        | 312            | (43)        |
| HSBC                          | USD                       | 1,000         | -            | R\$        | 67             | -           |
| Banco Itaú BBA                | USD                       | 500           | -            | R\$        | 35             | -           |
| <b>Swap</b>                   |                           |               |              |            |                |             |
| Banco do Brasil               | USD                       | 8,223         | -            | R\$        | (1,528)        | -           |
| <b>Total</b>                  | <b>USD</b>                | <b>14,223</b> | <b>6,000</b> | <b>R\$</b> | <b>(1,114)</b> | <b>(43)</b> |

Maturities for these transactions are set out below, in thousands of Reais.

| Description  | 2010          |                     |                      | 2009          |              |
|--------------|---------------|---------------------|----------------------|---------------|--------------|
|              | Up to 30 days | From 31 to 181 days | From 181 to 365 days | Net total     | Net total    |
| NDF          | 500           | 2,500               | 3,000                | 6,000         | 6,000        |
| Swap         | 97            | 484                 | 7,642                | 8,223         | -            |
| <b>Total</b> | <b>597</b>    | <b>2,984</b>        | <b>10,642</b>        | <b>14,223</b> | <b>6,000</b> |

Gains and losses at fair value for the years ended December 31, 2010 and 2009, grouped according to the main risk categories are as follows:

| Description                                | Currency   | Gains and losses recorded in net income |          |                                  |               | Gains and losses recorded in net equity |          |
|--------------------------------------------|------------|-----------------------------------------|----------|----------------------------------|---------------|-----------------------------------------|----------|
|                                            |            | Allocated in gross income in            |          | Allocated in financial income in |               | 2010                                    | 2009     |
|                                            |            | 2010                                    | 2009     | 2010                             | 2009          |                                         |          |
| <b>Foreign exchange hedge transactions</b> |            |                                         |          |                                  |               |                                         |          |
| NDF (Non Deliverable Forwards)             | R\$        | -                                       | -        | 1,578                            | 17,973        | 414                                     | -        |
| Swap                                       |            | -                                       | -        | (2,403)                          | -             | -                                       | -        |
| <b>Total</b>                               | <b>R\$</b> | <b>-</b>                                | <b>-</b> | <b>(825)</b>                     | <b>17,973</b> | <b>414</b>                              | <b>-</b> |

\* Amount net of taxes, represented by the amount of R\$273 net of tax effects.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 28. Financial risk management policies and objectives (Continued)

#### Derivative financial instruments (Continued)

The table below presents three scenarios, with the probable scenario adopted by the Company. These scenarios were defined based on management's expectation regarding foreign exchange variations on maturity of the agreements subject to this type of risk. Further to this scenario the CVM through its Rule No. 475 determined that two more scenarios be presented with falls of 25% and 50% in the variable of the risk considered. These scenarios are being presented in accordance with that CVM rule.

| Transaction                   | Risk          | Consolidated      |             |         |
|-------------------------------|---------------|-------------------|-------------|---------|
|                               |               | Probable scenario | Transaction | Risk    |
| Non Deliverable Forward – NDF | US\$ Increase | 414               | (2,084)     | (4,584) |
| Swap                          |               | (1,528)           | (1,910)     | (2,292) |

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 29. Commitments

#### Finance lease and lease commitments

The Company entered into finance lease agreements and lease commitments for several PP&E items. These leases may be renewed but do not provide for purchase option and price escalation clause. Renewal is at the option of the entity entering into the lease agreement. Minimum payments of finance leases and lease commitments, together with the present value of minimum lease payments are as follows:

|                                         | Company |       | Consolidated |       |
|-----------------------------------------|---------|-------|--------------|-------|
|                                         | BRGAAP  |       | IFRS         |       |
|                                         | 2010    | 2009  | 2010         | 2009  |
| Within one year                         | 173     | 1,763 | 173          | 1,763 |
| Less financial charges                  | (66)    | (651) | (66)         | (651) |
| Present value of minimum lease payments | 107     | 1,112 | 107          | 1,112 |

#### Guarantees

At December 31, 2010 and 2009, the Company reported the following amounts given in guarantee for surety, guarantee, fiduciary property and mortgages given to companies:

|                                        | Type of guarantee                       | BRGAAP  |         | IFRS    |         |
|----------------------------------------|-----------------------------------------|---------|---------|---------|---------|
|                                        |                                         | 2010    | 2009    | 2010    | 2009    |
| Master Sistemas Automotivos Ltda.      | Guarantees and sureties                 | 14,364  | 22,923  | 14,364  | 22,923  |
| Jost Brasil Sistemas Automotivos Ltda. | Guarantees                              | 2,600   | 3,538   | 2,600   | 3,538   |
| Fras-le S.A.                           | Guarantees and sureties                 | 48,722  | 60,376  | 48,722  | 60,376  |
| Randon Argentina S.A.                  | Sureties                                | 16,432  | 21,250  | 16,432  | 21,250  |
| Castertech Fundação e Tecnologia Ltda. | Guarantee                               | 90,916  | 80,547  | 90,916  | 80,547  |
| Suspensys Sistemas Automotivos Ltda.   | Guarantees, sureties and statutory lien | 59,802  | 51,480  | 59,802  | 51,480  |
| Banco Randon S.A.                      | Guarantee                               | 2,135   | -       | 2,135   | -       |
| Total                                  |                                         | 234,971 | 240,114 | 234,971 | 240,114 |



## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 30. Segment information

For management purposes the Company is divided into business units based on goods and services with 3 operating segments subject to the disclosure of information, these are.

The business segments presented were considered in the consolidation of information of the following Randon companies:

Vehicles and implements segment: this refers to consolidated results for 2010 and 2009 of Randon S.A. Implementos e Participações, Randon Implementos para o Transporte Ltda., Randon Argentina S.A., Randon Middle East and Randon Automotive Ltda, and the main products included in this segment are: trailers, semi-trailers, rail wagons, off-road trucks, diggers and other road implements and special vehicles.

Auto parts segment: this refers to the consolidated results for 2010 and 2009 of Frasle S.A., Suspensys Sistemas Automotivos Ltda., Master Sistemas Automotivos Ltda., Jost Brasil Sistemas Automotivos Ltda. and Castertech Fundação e Tecnologia Ltda., and the main products of this segment are: friction materials, beams and shafts, suspension components, air breaks and coupling and joint systems for trucks.

Services segment: this refers to the result of Randon Administradora de Consórcios Ltda. arising from consortium group management operations for the purchase of durable goods and Randon Investimentos Ltda., which is a financial holding company of which the objective is to hold ownership interest in Banco Randon S/A.

Management separately monitors the operating income of the business units to make decisions on the allocation of funds and assess performance. Performance of the segments is assessed based on operating profit and loss and the Company financing (including financing income and expenses) and income tax are managed under the auspices of the Group and are not being allocated to operating segments.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 30. Segment information (Continued)

#### a) Information by business segment

|                                             | Vehicles and Implements |             | Auto parts         |             | Services        |          | Adjustments and eliminations |           | Total consolidated |             |
|---------------------------------------------|-------------------------|-------------|--------------------|-------------|-----------------|----------|------------------------------|-----------|--------------------|-------------|
|                                             | 2010                    | 2009        | 2010               | 2009        | 2010            | 2009     | 2010                         | 2009      | 2010               | 2009        |
| Third party net revenues                    | <b>1,877,103</b>        | 1,197,305   | <b>1,790,569</b>   | 1,226,309   | <b>51,300</b>   | 45,930   | -                            | -         | <b>3,718,972</b>   | 2,469,544   |
| Intersegment net revenues (1)               | <b>313,775</b>          | 171,614     | <b>377,645</b>     | 248,554     | -               | -        | <b>(691,420)</b>             | (420,168) | -                  | -           |
| Net revenues                                | <b>2,190,878</b>        | 1,368,919   | <b>2,168,214</b>   | 1,474,863   | <b>51,300</b>   | 45,930   | <b>(691,420)</b>             | (420,168) | <b>3,718,972</b>   | 2,469,544   |
| Cost of products and services               | <b>(1,751,750)</b>      | (1,125,501) | <b>(1,730,544)</b> | (1,188,156) | -               | -        | <b>669,926</b>               | 405,806   | <b>(2,812,368)</b> | (1,907,851) |
| Gross profit                                | <b>439,128</b>          | 243,418     | <b>437,670</b>     | 286,707     | <b>51,300</b>   | 45,930   | <b>(21,494)</b>              | (14,362)  | <b>906,604</b>     | 561,693     |
| Operating expenses                          | <b>(91,347)</b>         | (78,931)    | <b>(149,554)</b>   | (119,298)   | <b>(40,129)</b> | (33,381) | <b>(166,290)</b>             | (103,080) | <b>(447,320)</b>   | (334,690)   |
| Net financial income (loss)                 | <b>(970)</b>            | 10,267      | <b>14,363</b>      | 29,828      | <b>603</b>      | 327      | <b>(229)</b>                 | (647)     | <b>13,767</b>      | 39,775      |
| Segment income (before taxes on income) (2) | <b>346,811</b>          | 174,754     | <b>302,479</b>     | 197,237     | <b>11,774</b>   | 12,876   | <b>(188,013)</b>             | (118,089) | <b>473,051</b>     | 266,778     |
| Operating assets (3)                        | <b>1,362,267</b>        | 812,058     | <b>999,184</b>     | 786,870     | <b>43,206</b>   | 33,045   | <b>(107,676)</b>             | (61,965)  | <b>2,296,981</b>   | 1,570,008   |
| Operating liabilities (4)                   | <b>1,104,888</b>        | 605,285     | <b>694,677</b>     | 610,914     | <b>4,009</b>    | 2,736    | <b>(103,979)</b>             | (60,543)  | <b>1,699,595</b>   | 1,158,392   |
| Non-current assets (5)                      | <b>531,051</b>          | 469,913     | <b>625,000</b>     | 590,853     | <b>3,398</b>    | 2,904    | <b>(741)</b>                 | (741)     | <b>1,158,708</b>   | 1,062,929   |

Non-current assets comprise fixed assets and intangible assets.

- 1) Intersegment revenues are eliminated upon consolidation.
- 2) Income from each operating segment.
- 3) Segment assets do not include deferred taxes (R\$ 70,044), prepaid expenses (R\$ 2,546), rights from consortium funds (R\$ 50,057), consortium shares (R\$ 21,739), judicial deposits (R\$ 9,659), biological assets (R\$ 6,572) and other accounts (R\$ 35,182).
- 4) Segment liabilities do not include deferred taxes (R\$ 96,937), dividends (R\$ 38,231), interest on equity capital (R\$ 39,467), employees' and management profit sharing (R\$ 48,046), consortium members funds liabilities (R\$ 50,057), related parties (R\$ 66,546), provision for litigations (R\$14,253) and other accounts (R\$ 40,369).
- 5) Non-current assets comprise fixed assets and intangible assets.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 30. Segment information (Continued)

#### b) Sales by geographic segment

|                                                       | Vehicles and<br>Implements |           | Auto parts       |           | Services      |        | Adjustments and<br>aliminations |           | Total consolidated |           |
|-------------------------------------------------------|----------------------------|-----------|------------------|-----------|---------------|--------|---------------------------------|-----------|--------------------|-----------|
|                                                       | 2010                       | 2009      | 2010             | 2009      | 2010          | 2009   | 2010                            | 2009      | 2010               | 2009      |
| Region:                                               |                            |           |                  |           |               |        |                                 |           |                    |           |
| National Market                                       | <b>1,967,855</b>           | 1,211,663 | <b>1,914,312</b> | 1,276,325 | <b>51,300</b> | 45,930 | <b>(675,026)</b>                | (410,949) | <b>3,258,441</b>   | 2,122,969 |
| Mercosul and Chile                                    | <b>149,659</b>             | 76,111    | <b>55,622</b>    | 34,316    | -             | -      | <b>(16,394)</b>                 | (9,219)   | <b>188,887</b>     | 101,208   |
| Nafta                                                 | <b>11</b>                  | 28        | <b>130,750</b>   | 118,211   | -             | -      | -                               | -         | <b>130,761</b>     | 118,239   |
| Europe                                                | <b>195</b>                 | 53        | <b>23,171</b>    | 12,625    | -             | -      | -                               | -         | <b>23,366</b>      | 12,678    |
| África                                                | <b>60,498</b>              | 67,722    | <b>5,106</b>     | 5,421     | -             | -      | -                               | -         | <b>65,604</b>      | 73,143    |
| Central America and other<br>south american countries | <b>10,696</b>              | 12,222    | <b>10,347</b>    | 8,230     | -             | -      | -                               | -         | <b>21,043</b>      | 20,452    |
| Middle east                                           | <b>1,245</b>               | 333       | <b>12,522</b>    | 7,061     | -             | -      | -                               | -         | <b>13,767</b>      | 7,394     |
| Asia                                                  | -                          | -         | <b>4,176</b>     | 2,935     | -             | -      | -                               | -         | <b>4,176</b>       | 2,935     |
| Oceania                                               | -                          | -         | <b>1,478</b>     | 1,447     | -             | -      | -                               | -         | <b>1,478</b>       | 1,447     |
| Others                                                | <b>719</b>                 | 787       | <b>10,730</b>    | 8,292     | -             | -      | -                               | -         | <b>11,449</b>      | 9,079     |
| Total                                                 | <b>2,190,878</b>           | 1,368,919 | <b>2,168,214</b> | 1,474,863 | <b>51,300</b> | 45,930 | <b>(691,420)</b>                | (420,168) | <b>3,718,972</b>   | 2,469,544 |

The information above concerning revenue included the location of the customer.

Net revenue referring to one of the customers totaled R\$ 398,744 (2009: R\$ 325,271), resulting from sales made by the auto parts segment.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 31. Insurance coverage

The Company's policy consists of taking out insurance coverage for assets subject to risk at amounts considered sufficient to cover possible claims, considering the nature of its activities.

The main types of insurance coverage are:

|                                                      |                                                             | Company                |            |
|------------------------------------------------------|-------------------------------------------------------------|------------------------|------------|
|                                                      |                                                             | Total indemnity limits |            |
| Risk covered                                         |                                                             | 31/12/2010             | 31/12/2009 |
| Buildings, inventories, machinery and loss of profit | Fire, windstorm, electrical damage and miscellaneous risks. | <b>295,049</b>         | 243,173    |
| Vehicle insurance                                    | Hull                                                        | <b>10,274</b>          | 15,986     |
| Airplanes                                            | Runway, civil liability and hull                            | <b>18,661</b>          | 19,501     |
| Export credit                                        | Commercial and political                                    | <b>11,781</b>          | 26,008     |
| Civil liability                                      | Civil liability                                             | <b>45,923</b>          | 36,544     |
| Personal accident                                    | Personal damage                                             | <b>39,521</b>          | 33,152     |
|                                                      |                                                             | <b>421,209</b>         | 374,364    |

Our work scope does not include issuing an opinion on the sufficiency of insurance coverage, which was deemed sufficient by the Company's management to cover any claims.

## Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2010 and 2009

(In thousands of reais, except when indicated otherwise)

### 32. Reconciliation of quarterly information adjusted by the effects of the adoption of new accounting pronouncements

In January 2011, the CVM established that publically traded companies that had not restated their quarterly financial information for 2010 up to the date for the reporting of financial statements, as from January 1, 2010, should include an accompanying note to financial statements evidencing the effects on the statement of income and net equity in 2010 and 2009 stemming from full adoption of standards in 2010.

The effects stemming from the adoption of the CPCs are stated below:

|                                               | <u>31/03/2010</u> | <u>30/06/2010</u> | <u>30/09/2010</u> | <u>31/03/2009</u> | <u>30/06/2009</u> | <u>30/09/2009</u> |
|-----------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Net income for the quarter</b>             |                   |                   |                   |                   |                   |                   |
| Reported income                               | 40,351            | 63,762            | 66,769            | 26,749            | 44,470            | 26,990            |
| Depreciation of attributed cost               | (3,756)           | (3,756)           | (3,662)           | (3,770)           | (3,770)           | (3,770)           |
| Write-off of deferred charges                 | 949               | 798               | 780               | 440               | 417               | 430               |
| Sale of biologic asset                        | (29)              | (29)              | (29)              | (34)              | (34)              | (34)              |
| Capitalization of interest                    | 315               | 362               | 491               | 1,479             | 919               | 848               |
| Deferred income and social contribution taxes | 1,172             | 1,176             | 1,149             | 1,170             | 1,171             | 1,173             |
| Non-controlling shareholders                  | 869               | 869               | 830               | 699               | 776               | 753               |
| <b>Adjusted income</b>                        | <u>39,871</u>     | <u>63,182</u>     | <u>66,328</u>     | <u>26,733</u>     | <u>43,949</u>     | <u>26,390</u>     |
|                                               |                   |                   |                   |                   |                   |                   |
|                                               | <u>31/03/2010</u> | <u>30/06/2010</u> | <u>30/09/2010</u> | <u>31/03/2009</u> | <u>30/06/2009</u> | <u>30/09/2009</u> |
| <b>Net equity</b>                             |                   |                   |                   |                   |                   |                   |
| Reported net equity                           | 924,469           | 962,378           | 1,028,762         | 813,280           | 839,992           | 871,677           |
| Attributed cost                               | 276,265           | 276,265           | 276,265           | 276,265           | 276,265           | 276,265           |
| Biologic asset deemed cost                    | 2,192             | 2,192             | 2,192             | 2,192             | 2,192             | 2,192             |
| Write-off of deferred charges                 | (13,929)          | (13,929)          | (13,929)          | (13,929)          | (13,929)          | (13,929)          |
| Deemed cost depreciation                      | (18,835)          | (22,591)          | (26,253)          | (3,770)           | (7,540)           | (11,309)          |
| Sale of biologic asset                        | (164)             | (193)             | (222)             | (34)              | (68)              | (102)             |
| Write-off of amortization of deferred charges | 2,765             | 3,563             | 4,343             | 440               | 857               | 1,287             |
| Capitalization of interest                    | 4,078             | 4,440             | 4,931             | 1,479             | 2,398             | 3,246             |
| Provision for dismissal                       | (4,184)           | (4,184)           | (4,184)           | (373)             | (373)             | (373)             |
| Actuarial valuation                           | 4,227             | 4,227             | 4,227             | -                 | -                 | -                 |
| Deferred income and social contribution taxes | (87,732)          | (86,556)          | (85,407)          | (92,291)          | (91,120)          | (89,947)          |
| Minority interests                            | (47,609)          | (46,740)          | (45,910)          | (50,392)          | (49,616)          | (48,863)          |
| <b>Adjusted net equity</b>                    | <u>1,041,543</u>  | <u>1,078,872</u>  | <u>1,144,815</u>  | <u>932,867</u>    | <u>959,058</u>    | <u>990,144</u>    |